

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: City of Monroe, Michigan	County Monroe
Audit Date June 30, 2005	Opinion Date September 23, 2005	Date Accountant Report Submitted To State: December 28, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 27400 Northwester Highway	City Southfield	State MI	ZIP 48037
Accountant Signature  <i>Plante &amp; Moran, PLLC</i>			

# **City of Monroe, Michigan**

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## **Comprehensive Annual Financial Report with Supplemental Information for the Year Ended June 30, 2005**

### **Mayor**

**John R. Iacoangeli**

### **City Manager**

**Debbie L. Manns**

### **City Council**

**Bill Burkett**

**C. James Sabo**

**Dorothy L. Edwards**

**Jean Guyor**

**Linda Compore**

**Suzanne Wetzel**

# City of Monroe, Michigan

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## **Introductory Section**

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## CITY OF MONROE

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December 5, 2005

Honorable Mayor, Members of the City  
Council and Citizens of the City of Monroe:

We are pleased to submit the City of Monroe Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. This report was prepared by the City Finance Department. The financial statements are the representations of the management of the City. Responsibility for both the accuracy of the prepared data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds, and component units of the City. All necessary disclosures are included in the document to enable the reader to gain an understanding of the City's financial activities.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The cost of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

State of Michigan statutes and City Charter require an independent audit of the City's financial transactions and records. The City is required to undergo an annual single audit of its federal financial assistance in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including schedules, the independent auditors' reports on internal control structure, compliance with applicable laws and regulations and official information are included in the single audit section. Plante & Moran, PLLC, whose opinion and reports are included, has performed this audit for Fiscal Year 2005.

Included in the financial section of the CAFR is a Management Discussion and Analysis (MD&A) letter. The letter provides additional information and analysis from City management regarding the financial results. It is supplementary information to the financial statements that is intended to provide the financial statement reader

with additional insight into the City's financial operations. It also provides the reader with additional information as to the layout and contents of the CAFR.

### **City Government Profile**

The last page of the introductory section of the CAFR provides basic information regarding the City of Monroe, the governmental structure, and demographic information. An organizational chart is also included in the introductory section.

This report includes all the funds of the City as legally defined, as well as its component units. Component units are legally separate entities for which the City is financially accountable. These agencies are the Monroe Downtown Development Authority, the Monroe Brownfield Redevelopment Authority, the Monroe Building Authority and the Port of Monroe.

Michigan law requires that the City adopt budgets for the General Fund and all Special Revenue Funds. The City goes beyond this requirement and adopts budgets for all city funds, except for agency type funds. The process for adopting the budget includes adoption of a Capital Improvement Program budget by the end of February each year, submittal of a budget recommendation by the City Manager to the City Council by April 1 of each year, and final adoption of the budget by the City Council by April 30 of each year. Each of these dates are required to be met as set forth in the City Charter. Expenditures are controlled at the department level (General Fund) or fund level (all other funds). Although encumbrances are reservations of the expenditure budget and not expenditures, they are used as an extension of formal budgetary control. The City Charter also states that "Every appropriation, except an appropriation for capital expenditure, shall lapse at the close of the fiscal year to the extent it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned."

### **Economic Condition and Outlook**

Monroe is a major employment center with companies such as Detroit Edison, Visteon, and MAC Steel maintaining facilities here. Monroe is also home to La-Z-Boy, Inc., World Headquarters. Monroe is more diversified than most of the state and is the beneficiary of suburban expansion for those working in Detroit, Toledo, and the Metro-Airport related businesses. The average annual unemployment rate for the area has averaged 4.9% over the last ten years. The unemployment rate for calendar year 2004 was 5.9%. The current state of decline in the auto industry and requests for taxable value decreases from Detroit Edison are significant factors relating to the City's future financial position.

Building permits for new construction and alterations were valued at approximately \$23.5 million. This represents a decrease of 5.2 percent over the five-year average of \$24.8 million, excluding fiscal 2002 which was an exceptional year generating permits valued at \$417.3 million. A decrease was also seen in the number of permits, from 1,332 in 2004 to 1,104 in 2005, a 17% decrease.

The primary long term financial plan adopted by the City is the annual Capital Improvements Program (CIP) budget. A reduced growth in taxable value due to



current economic conditions and Proposal A will make it difficult to fund CIP projects at the level they have been in the past.

Property taxes represent 70% of the General Fund revenues. Proposal "A", passed by voters in 1994, shifted school financing to the state sales tax, providing relief from property taxes. Relief is afforded through a homestead exemption from 18 mills of local school millage and a cap in assessment growth. Taxable values are capped at the lesser of 5% or general inflation by individual parcel, until a property is "transferred". Taxable valuation is distinguished from state equalized values formerly used as the base for property taxation. Tax base growth is mainly the result of new construction. For the 2004 tax year, covering fiscal 2004-5, the overall taxable value was approximately 145 million below state equalized value reducing potential tax revenue by \$2.2 million due to the cap.

State shared revenue accounts for approximately 12% of the City's General Fund revenue. This revenue was down 2.6 percent from the previous year due to slower than anticipated growth in the State's sales tax collections and the state's budget problems. Although state sales tax revenue is increasing, the state's 2005/2006 fiscal year budget contains a plan/provision to hold revenue sharing payments to cities at prior year levels. While we are encouraged by an improving economy, we continue to be conservative with budget estimates on the revenue side, and at the same time, be focused on controlling expenditure levels.

The City has adopted financial policies that guide the City in its financial management practices. The City takes these policies into account in preparation of the annual budget and in reviewing the budget status of each fund during the fiscal year.

A primary focus of management is constant improvement of customer service. Satisfaction of Monroe's citizens/customers continues to be the organization's driving force. All services provided are evaluated on the basis of benefits provided both to individual users and the Monroe community as a whole. This effort is reflected in both operations and in planning and budgeting, where performance measures have been implemented.

A major emphasis was placed on funding capital projects with the adoption of the 2004-2005 budget. The following projects were active in 2004-2005:

Local Streets:

- Adams St. Resurfacing
- Navarre St. Resurfacing – Second to Fourth Streets
- Oakwood Street Resurfacing

Major Streets:

- Conant Avenue Reconstruction – First to Third
- Roessler Street Reconstruction - Elm to Front
- North Macomb Street Resurfacing – Elm to Bridge

Major planned projects for fiscal 2005-2006:

- Winchester Street Bridge Deck Replacement
- Rosewood Avenue Resurfacing

- Jerome Street Recon. & Resurfacing
- N. Roessler Street Resurfacing
- Maple Boulevard Resurfacing
- Maywood Avenue Resurfacing
- Splash Park at Dick Waters Pool
- Water Distribution Facility Renovation

The 2005-2006 budget also places an emphasis on economic development by placing the responsibility for the function with the Port of Monroe and additionally the hiring of an Economic Development Director. This was done without an overall tax increase by transferring .25 mill of the City's operating millage to the Port of Monroe.

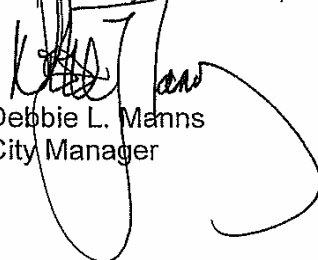
### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Monroe for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Lastly, we wish to recognize the professional contributions and extra efforts of the entire Finance Staff throughout the year, particularly during the preparation of this report. The City's financial system and internal control structure has involvement from many departments. We also wish to recognize those departments for their contributions to maintaining the system with a high level of accuracy throughout the fiscal year. We also wish to thank the Mayor and City Council Members for their continued interest and support of the City's goal of excellence in all respects of financial management.

Respectfully submitted,



Debbie L. Manns  
City Manager



Edward J. Sell Jr.  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Monroe,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



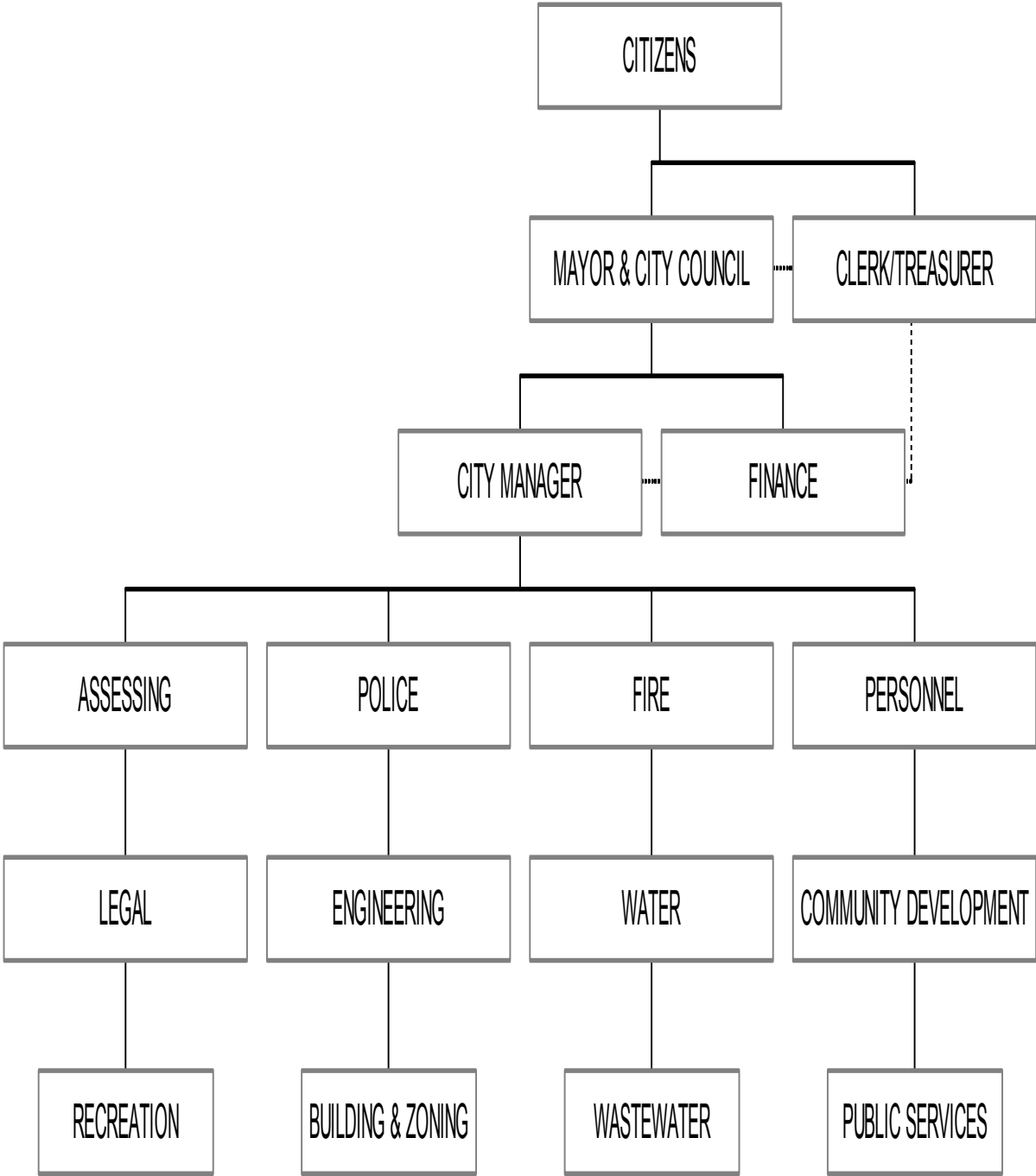
*Nancy L. Ziehl*

President

*Jeffrey R. Enos*

Executive Director

# CITY OF MONROE ORGANIZATIONAL CHART



## **CITY OF MONROE, MICHIGAN**

### List of Principal Officials

<b>Title</b>	<b>Name</b>
Mayor	John R. Iacoangeli
Council Members:	
First Precinct	Bill Burkett
Second Precinct	C. James Sabo
Third Precinct	Dorothy L. Edwards
Fourth Precinct	Jean Guyor
Fifth Precinct	Linda Compora
Sixth Precinct	Suzanne Wetzel
City Clerk/Treasurer	Charles D. Evans
City Manager	Debbie L. Manns
Police Chief	John B. Michrina
Fire Chief	William E. Bert
Finance Director	Edward J. Sell
Development Services Director	Benjamin Tallerico
Public Services Director	Scott H. Davidson
City Engineer	Patrick Lewis
Director of Utilities and Water	Barry LaRoy
Wastewater Director	Connie Ochs
Assessor	Samuel J. Guich
Human Resources Director	April McGrath
Corporation Counsel	Braunlich, Russow & Braunlich

## **Facts about Monroe**

The City of Monroe is located in Monroe County in the far southeast portion of Michigan's Lower Peninsula. Located approximately 35 miles south of Detroit, Michigan, 15 miles north of Toledo, Ohio, and 40 miles southeast of Ann Arbor, Michigan, Monroe is the county seat with a population of 22,076 according to the 2000 Census.

Monroe is Michigan's third oldest continuous settlement, founded in 1784. The City operates under a manager-council form of government. Its most recent charter was adopted December 8, 1913. The City is incorporated under Michigan law as a home rule city.

Elected officials are composed of the mayor, city clerk/treasurer, and six councilpersons, representing six precincts, elected at large. All terms of office are two years. Department heads are appointed by and serve at the pleasure of the city manager with the exception of the finance director and assistant city attorney, who serve at the pleasure of the mayor and council. The city manager is responsible for administration of all departments and functions of City government not under the jurisdiction of any other elected official or the Civil Service Commission. The city clerk/treasurer is responsible for keeping the public records and for receipt, disbursement, and custody of public monies and other evidences of value held by or belonging to the City. The council is responsible for all legislative matters including adoption of the City budget.

## **Financial Section**

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Fax: 248.352.0018  
plantemoran.com

## Independent Auditor's Report

To the City Council  
City of Monroe, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan (the "City") as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Monroe, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Port of Monroe (a discretely presented proprietary component unit), which reflect total assets of \$4,413,778 at June 30, 2005 and total revenue of \$356,485 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Port of Monroe, is based solely on the report of the other auditors. The other auditors' report, dated July 20, 2005, disclaimed an opinion because of significant uncertainty related to environmental remediation.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, except for the financial information related to the Port of Monroe (whose auditors disclaimed an opinion), the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



To the City Council  
City of Monroe, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monroe, Michigan's basic financial statements. The management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the General Fund budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The General Fund budgetary comparison schedules and the combining statements included in other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and the retirement system schedules of funding progress and employer contributions, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

September 23, 2005

# City of Monroe, Michigan

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## Management's Discussion and Analysis

Our discussion and analysis of the City of Monroe, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements.

### Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2005:

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$58,000 to \$2,156,938. This continued a trend in declines in state-shared revenue. State-shared revenue peaked in fiscal year 2001 at \$2,780,435. In response to this reduction over the years, the City has reduced expenditures by not filling selected vacant positions, closely monitoring overtime, and delaying capital equipment expenditures.
- Fund balance for the General Fund increased \$210,341 to \$3,207,222. Of the increase, \$106,016 was related to budgeted funds that were not expended, but were encumbered. Those funds transfer to the 2006 fiscal year as budgeted expenditures, making the net increase in fund balance available for appropriation \$104,325.
- Expenditures related to capital projects totaled \$6.049 million.
- Total net assets related to the City's governmental activities decreased by approximately \$2.5 million.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the citizens' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

### The City as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current assets	\$ 31,187,191	\$ 32,308,541	\$ 12,666,816	\$ 12,793,419	\$ 43,854,007	\$ 45,101,960
Capital assets and investment in joint venture	76,836,556	78,539,569	45,608,014	44,904,712	122,444,570	123,444,281
Total assets	108,023,747	110,848,110	58,274,830	57,698,131	166,298,577	168,546,241
<b>Liabilities</b>						
Current liabilities	19,215,254	19,962,832	1,874,020	1,874,583	21,089,274	21,837,415
Long-term liabilities	7,925,164	7,440,260	900,000	1,090,000	8,825,164	8,530,260
Total liabilities	27,140,418	27,403,092	2,774,020	2,964,583	29,914,438	30,367,675
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	69,001,428	71,362,624	41,022,518	39,931,725	110,023,946	111,294,349
Restricted	2,488,896	3,060,630	-	-	2,488,896	3,060,630
Unrestricted	9,393,005	9,021,764	14,478,292	14,801,823	23,871,297	23,823,587
Total net assets	<u>\$ 80,883,329</u>	<u>\$ 83,445,018</u>	<u>\$ 55,500,810</u>	<u>\$ 54,733,548</u>	<u>\$ 136,384,139</u>	<u>\$ 138,178,566</u>

The City's combined net assets decreased by 1.3 percent from a year ago - decreasing from \$138.2 million to \$136.3 million. As we look at the governmental activities separately from the business-type activities, we can see that unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, increased by \$371,241 for governmental activities. This represents an increase of approximately 4.1 percent. The current level of unrestricted net assets for governmental activities stands at \$9.3 million, or about 37 percent of expenditures.

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes in the net assets during the current year and as compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Net Assets - Beginning of year</b>	\$ 83,445,018	\$ 85,937,058	\$ 54,733,548	\$ 53,397,404	\$ 138,178,566	\$ 139,334,462
<b>Revenue</b>						
Program revenue:						
Charges for services	3,221,111	3,053,922	10,358,338	10,165,865	13,579,449	13,219,787
Operating grants and contributions	1,987,274	2,683,511	-	-	1,987,274	2,683,511
Capital grants and contributions	3,918	24,051	523,215	534,856	527,133	558,907
General revenue:						
Property taxes	14,288,246	13,547,001	-	-	14,288,246	13,547,001
State-shared revenue	2,175,483	2,211,290	-	-	2,175,483	2,211,290
Unrestricted investment earnings	519,669	321,738	308,659	253,806	828,328	575,544
Franchise fees	213,223	249,297	-	-	213,223	249,297
Other revenue	591,769	457,774	5,896	27,228	597,665	485,002
Total revenue	23,000,693	22,548,584	11,196,108	10,981,755	34,196,801	33,530,339
<b>Program Expenses</b>						
General government	2,797,809	2,739,358	-	-	2,797,809	2,739,358
Public safety	9,955,878	9,438,673	-	-	9,955,878	9,438,673
Public works	10,419,518	8,535,047	-	-	10,419,518	8,535,047
Community development	559,559	1,856,992	-	-	559,559	1,856,992
Culture and recreation	1,535,537	2,083,546	-	-	1,535,537	2,083,546
Interest on long-term debt	335,422	428,843	-	-	335,422	428,843
Water and wastewater	-	-	10,387,505	9,603,776	10,387,505	9,603,776
Total program expenses	25,603,723	25,082,459	10,387,505	9,603,776	35,991,228	34,686,235
<b>Excess (Deficiency)</b>	(2,603,030)	(2,533,875)	808,603	1,377,979	(1,794,427)	(1,155,896)
<b>Transfers</b>	41,341	41,835	(41,341)	(41,835)	-	-
<b>Change in Net Assets</b>	(2,561,689)	(2,492,040)	767,262	1,336,144	(1,794,427)	(1,155,896)
<b>Net Assets - End of year</b>	<b>\$ 80,883,329</b>	<b>\$ 83,445,018</b>	<b>\$ 55,500,810</b>	<b>\$ 54,733,548</b>	<b>\$ 136,384,139</b>	<b>\$ 138,178,566</b>

Revenue for the City as a whole was up \$666,462 (1.9 percent). A significant reduction was experienced in the area of operating grants and contributions (\$696,237). This was due to a grant related to Mason Run environmental remediation received in fiscal year 2004. Reductions were offset by increases in investment earnings (\$252,784), charges for services (\$359,662), and property taxes (\$741,245).

Program expenses for the City as a whole were up by \$1.3 million (3.8 percent). Program expenses increased in the areas of public safety (\$517,205), public works (\$1,884,471), and water and wastewater (\$783,729). Community development expenses decreased \$1.3 million (7.0 percent) due to grant-funded projects that occurred in fiscal year 2004.

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

The City's total governmental revenues increased by approximately \$452,000 (2.0 percent) and governmental program expenses increased by \$521,264 (2.0 percent).

Slower than predicted economic growth accounted for a reduction in state revenue sharing of \$35,807 (1.6 percent). Due to a rising interest rate environment, investment income increased \$197,931 (62 percent). Interest on long-term debt was reduced by \$93,421 (22 percent) due to a bond refunding.

### **Business-type Activities**

The City's business-type activities consist of the Water and Wastewater Funds. The City operates the LePage Raw Water Pump Station in partnership with Frenchtown Charter Township and sells water to surrounding communities. The City also provides wastewater treatment through a City-owned and operated sewage treatment plant. Fiscal year 2005 resulted in lower industrial usage and higher residential usage. The City experienced an operating income of approximately \$116,581 in the Water and Wastewater Funds.

### **The City's Funds**

The analysis of the City's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as street maintenance. The City's major funds for the year ended June 30, 2005 include the General Fund, the Wastewater Fund, and the Water Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$8.96 million. The costs of these departments are generally funded by property tax revenue sources of the General Fund. The activities of the Wastewater and Water Funds are disclosed under "business-type activities" above.

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

### General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. City departments overall stayed below budget, resulting in total expenditures of \$344,437 below budget.

DEPARTMENT	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	DIFFERENCE
City Council	\$ 153,040	\$ 189,525	\$ 164,027	\$ 25,498
City Manager	384,527	389,526	385,267	4,259
Clerk-Treasurer	442,419	462,566	462,562	4
Finance	463,952	479,038	474,717	4,321
Assessor	293,278	329,605	325,595	4,010
Attorney	241,774	261,189	261,190	(1)
Data Processing	180,432	180,432	180,432	-
Personnel	228,381	275,651	275,652	(1)
Engineering	490,377	440,974	435,883	5,091
City Hall/Grounds	311,143	295,292	288,166	7,126
Police	4,787,831	4,842,587	4,759,209	83,378
Fire	3,971,134	4,259,026	4,170,386	88,640
Zoning/Ordinance Enforcement	293,288	283,288	267,841	15,447
Department of Public Services	2,213,049	2,220,817	2,195,589	25,228
Community Development	424,600	420,859	395,669	25,190
Historic District Commission	17,150	17,150	13,201	3,949
Social Services	141,525	141,525	141,525	-
Public Access TV	83,700	106,612	106,611	1
Recreation	1,953,064	1,807,061	1,755,818	51,243
Library	56,100	56,100	56,100	-
Contingencies	250,000	-	-	-
Transfers to Other Funds	1,331,546	1,224,502	1,223,448	1,054
Total	<b>\$ 18,712,310</b>	<b>\$ 18,683,325</b>	<b>\$18,338,888</b>	<b>\$ 344,437</b>

Of this amount, \$106,017 was encumbered and was transferred to the 2006 fiscal year as budgeted expenditures. Revenue came in over budget by \$40,736. This increase was primarily due to unbudgeted revenue from the State of Michigan and from the sale of land. The amended budget estimated a reduction in fund balance to \$2,822,049. The actual fund balance was \$385,173 higher than what was estimated, or \$3,207,222.

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

### Capital Asset and Debt Administration

At the end of 2005, the City had net capital assets of \$122,564,959 invested in a broad range of capital assets, including buildings, roads, police and fire equipment, and water and sewer lines. Capital projects completed or in progress during fiscal year 2005 include continuation of the sidewalk replacement program, continued planning for the next phase of rail consolidation, replacement of a fire truck, creation of a geographic information system, improvements at Munson Park, paving of the West Front Street parking lot, painting of the Roessler Street Water Tower, continued sanitary sewer rehabilitation, Michigan Avenue resurfacing, S. Roessler St. resurfacing between Front and Elm, addition of skateboard parks at Munson Park and the Multi-Sports Complex, planning for the Michigan Southern Railroad Pathway, Adams Street resurfacing from Seventh Street to the city line, Navarre Street resurfacing from Second to Fourth Street, Oakwood Street resurfacing, Toll Street resurfacing from Elm to Lorain, and many others.

The Monroe Building Authority refunded the 1997 Building Authority Bonds during the fiscal year. Debt service payments over the life of the refunding were reduced by approximately \$256,000, which represents an economic gain of \$191,952. The City is currently using 7.09 percent of its legal debt margin of \$102.6 million. Debt service makes up 2.44 percent of our total general governmental expenditures. Bonded debt and other long-term obligations were reduced by \$168,673.

More detailed information concerning capital assets and long-term debt can be found in Notes 5 and 7, respectively, in the notes to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

The unemployment rate in the Monroe County region has improved over the last fiscal year and compares favorably against the State of Michigan average, as can be seen in the following table:

	<u>County</u>	<u>Michigan</u>
6/30/2005	5.90%	6.90%
6/30/2004	6.90%	7.30%

Monroe is more diversified economically than most of the state and is the recipient of suburban expansion for those working in Detroit, Toledo, and the metro airport related business expansion.

The City's fiscal year 2005-2006 General Fund budget increased only minimally compared to the 2004-2005 budget. The adopted revenue and expenditures for each fiscal year's budget are as follows:

#### **General Fund Budget Totals**

	<u>6/30/2005</u>	<u>6/30/2004</u>	<u>Increase</u>
Revenue	\$18,754,704	\$18,725,537	0.16%
Expenditures	18,750,328	18,725,246	0.13%

# **City of Monroe, Michigan**

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## **Management's Discussion and Analysis (Continued)**

Due to the impact of Proposal A, however, the City needs to continue to monitor its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Some properties increase in value by less than inflation, resulting in the total taxable value for the City growing by less than the rate of inflation, before considering new property additions. Taxable value increased only 2.2 percent for the 2006 fiscal year.

The Mason Run development will continue to grow due to additional low-interest loans and grants received to continue the environmental remediation at the site. A grant will also fund environmental work and building demolitions at the former River Raisin Battlefield site.

With a rising interest rate environment, investment income has rebounded with average yields now exceeding 4 percent. Continued softness in the Michigan and national economies will continue to put pressure on state revenue sharing.

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, you are welcome to contact the finance department.



# City of Monroe, Michigan

## Government-wide Statement of Net Assets June 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 12,497,486	\$ 1,095,944	\$ 13,593,430	\$ 504,772
Investments (Note 3)	13,576,766	5,537,370	19,114,136	322,000
Receivables - Net:				
Taxes	1,451,094	7,987	1,459,081	28,123
Customers	159,211	2,093,722	2,252,933	5,279
Special assessments	216,464	81,668	298,132	-
Accrued interest	55,427	28,387	83,814	2,722
Economic development loans	720,570	-	720,570	-
Other	595,371	271,214	866,585	-
Due from other governmental units	1,116,615	-	1,116,615	406,485
Due from component units	337,118	1,054,946	1,392,064	-
Internal balances (Note 6)	(2,029,542)	2,029,542	-	-
Inventories	2,236,230	378,592	2,614,822	-
Prepaid costs and other assets	254,381	87,444	341,825	26,896
Equity in joint ventures (Note 11)	-	3,685,496	3,685,496	-
Restricted assets	-	-	-	19,910
Nondepreciable capital assets (Note 5)	3,037,358	367,931	3,405,289	2,350,467
Depreciable capital assets - Net (Note 5)	73,799,198	41,554,587	115,353,785	1,455,418
<b>Total assets</b>	<b>108,023,747</b>	<b>58,274,830</b>	<b>166,298,577</b>	<b>5,122,072</b>
<b>Liabilities</b>				
Accounts payable	717,257	732,645	1,449,902	108,199
Accrued and other liabilities	2,565,165	570,976	3,136,141	308,416
Due to other governmental units	-	85,243	85,243	-
Due to primary government	-	-	-	1,392,064
Unearned revenue (Note 4)	15,310,551	485,156	15,795,707	542,719
Noncurrent liabilities (Note 7):				
Due within one year	479,817	-	479,817	114,342
Due in more than one year	7,355,311	900,000	8,255,311	245,658
Compensated absences:				
Due within one year	142,464	-	142,464	-
Due in more than one year	569,853	-	569,853	-
<b>Total liabilities</b>	<b>27,140,418</b>	<b>2,774,020</b>	<b>29,914,438</b>	<b>2,711,398</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	69,001,428	41,022,518	110,023,946	3,445,885
Restricted:				
Streets and highways	1,664,031	-	1,664,031	-
Rubbish and recycling	89,044	-	89,044	-
Building code activities	250,916	-	250,916	-
Grants	433,660	-	433,660	-
Drug forfeitures	51,245	-	51,245	-
Other	-	-	-	19,910
Unrestricted	9,393,005	14,478,292	23,871,297	(1,055,121)
<b>Total net assets</b>	<b>\$ 80,883,329</b>	<b>\$ 55,500,810</b>	<b>\$ 136,384,139</b>	<b>\$ 2,410,674</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# City of Monroe, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 2,797,809	\$ 87,348	\$ 45,107	\$ -
Public safety	9,955,878	1,238,814	22,623	-
Public works	10,419,518	407,955	1,849,467	3,918
Community development	559,559	302,682	70,077	-
Culture and recreation	1,535,537	1,184,312	-	-
Interest on long-term debt	335,422	-	-	-
Total governmental activities	25,603,723	3,221,111	1,987,274	3,918
Business-type activities:				
Water	4,745,717	5,028,934	-	523,215
Wastewater	5,641,788	5,329,404	-	-
Total business-type activities	10,387,505	10,358,338	-	523,215
Total primary government	<u>\$ 35,991,228</u>	<u>\$ 13,579,449</u>	<u>\$ 1,987,274</u>	<u>\$ 527,133</u>
Component units:				
Port of Monroe	\$ 473,639	\$ 124,529	\$ -	\$ -
Downtown Development Authority	88,654	-	-	-
Brownfield Redevelopment Authority	892,052	-	-	-
Total component units	<u>\$ 1,454,345</u>	<u>\$ 124,529</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes:				
Operating				
Refuse				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Gain on sale of capital assets				
Other				
Unrestricted transfers				
Total general revenues and transfers				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Government-wide Statement of Activities**  
**Year Ended June 30, 2005**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,665,354)	\$ -	\$ (2,665,354)	\$ -
(8,694,441)	-	(8,694,441)	-
(8,158,178)	-	(8,158,178)	-
(186,800)	-	(186,800)	-
(351,225)	-	(351,225)	-
(335,422)	-	(335,422)	-
(20,391,420)	-	(20,391,420)	-
-	806,432	806,432	-
-	(312,384)	(312,384)	-
-	494,048	494,048	-
(20,391,420)	494,048	(19,897,372)	-
-	-	-	(349,110)
-	-	-	(88,654)
-	-	-	(892,052)
-	-	-	(1,329,816)
13,276,480	-	13,276,480	1,070,516
1,011,766	-	1,011,766	-
2,175,483	-	2,175,483	-
519,669	308,659	828,328	18,671
213,223	-	213,223	-
509,664	-	509,664	-
82,105	5,896	88,001	-
41,341	(41,341)	-	-
17,829,731	273,214	18,102,945	1,089,187
(2,561,689)	767,262	(1,794,427)	(240,629)
83,445,018	54,733,548	138,178,566	2,651,303
<b>\$ 80,883,329</b>	<b>\$ 55,500,810</b>	<b>\$ 136,384,139</b>	<b>\$ 2,410,674</b>

# City of Monroe, Michigan

## Governmental Funds Balance Sheet June 30, 2005

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 10,013,973	\$ 1,343,988	\$ 11,357,961
Investments	4,763,542	6,898,490	11,662,032
Receivables:			
Taxes	1,343,664	107,430	1,451,094
Customers	141,341	17,870	159,211
Special assessments	-	216,464	216,464
Accrued interest	24,368	21,746	46,114
Economic development loans	-	720,570	720,570
Other	304,175	247,287	551,462
Prepaid expenditures and other assets	24,775	23,295	48,070
Due from other governmental units	393,879	314,122	708,001
Due from component units (Note 6)	24,360	312,758	337,118
Due from other funds (Note 6)	5,436	102,783	108,219
Real estate inventories	2,206,830	-	2,206,830
Total assets	<u>\$ 19,246,343</u>	<u>\$ 10,326,803</u>	<u>\$ 29,573,146</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 337,178	\$ 308,781	\$ 645,959
Accrued and other liabilities	295,900	6,872	302,772
Deferred revenue	13,590,685	2,305,465	15,896,150
Advances from other funds (Note 6)	1,815,358	-	1,815,358
Due to other funds (Note 6)	-	192,777	192,777
Total liabilities	16,039,121	2,813,895	18,853,016
<b>Fund Balances</b>			
Reserved - Prepaid expenditures	24,775	-	24,775
Unreserved, reported in:			
General Fund	3,182,447	-	3,182,447
Special Revenue Funds	-	5,534,777	5,534,777
Debt Service Funds	-	177,132	177,132
Capital Projects Fund	-	1,800,999	1,800,999
Total fund balances	3,207,222	7,512,908	10,720,130
Total liabilities and fund balances	<u>\$ 19,246,343</u>	<u>\$ 10,326,803</u>	<u>\$ 29,573,146</u>
<b>Fund Balance - Total Governmental Funds</b>			\$ 10,720,130
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds			76,836,556
Special assessment and property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures			585,599
State revenue-sharing payment received over 60 days after year end is not reported in the funds			408,614
Long-term liabilities are not due and payable in the current period and are not reported in the funds			(8,547,445)
Accrued interest is not recorded in the funds			(42,135)
Portions of the Internal Service Funds are included as part of governmental activities net of capital and long-term debt			922,010
Net assets of governmental activities			<u>\$ 80,883,329</u>

# City of Monroe, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2005

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 13,206,714	\$ 1,011,766	\$ 14,218,480
Licenses and permits	250,638	418,267	668,905
Federal grants	49,268	666,221	715,489
State-shared revenues and grants	2,251,317	1,640,278	3,891,595
Charges for services	2,202,163	142,231	2,344,394
Fines and forfeitures	140,653	-	140,653
Interest	274,277	145,410	419,687
Special assessment	-	103,708	103,708
Rent	62,153	432,459	494,612
Other	112,046	661,440	773,486
Total revenue	18,549,229	5,221,780	23,771,009
<b>Expenditures</b>			
Current:			
General government	3,253,491	-	3,253,491
Public safety	9,197,435	186,253	9,383,688
Public works	2,195,589	5,198,412	7,394,001
Health and welfare	395,669	53,070	448,739
Recreation and culture	2,073,256	-	2,073,256
Capital outlay	-	908,326	908,326
Debt service	-	574,818	574,818
Other	-	11,285	11,285
Total expenditures	17,115,440	6,932,164	24,047,604
<b>Excess of Revenue Over (Under) Expenditures</b>	1,433,789	(1,710,384)	(276,595)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	1,489,795	1,489,795
Transfers out	(1,223,448)	(766,329)	(1,989,777)
Proceeds from issuance of long-term debt	-	5,915,250	5,915,250
Defeasance of debt	-	(5,298,496)	(5,298,496)
Total other financing sources (uses)	(1,223,448)	1,340,220	116,772
<b>Net Change in Fund Balances</b>	210,341	(370,164)	(159,823)
<b>Fund Balances - Beginning of year</b>	2,996,881	7,883,072	10,879,953
<b>Fund Balances - End of year</b>	<u>\$ 3,207,222</u>	<u>\$ 7,512,908</u>	<u>\$ 10,720,130</u>

# City of Monroe, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2005**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>(159,823)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(4,397,688)
Capital outlay expenditures	2,875,106

Governmental funds report proceeds on sales of assets in the statement of activities, not the gain	(3,091)
--	---------

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(73,904)
--	----------

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	72,893
--	--------

Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	319,971
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Bond proceeds are not reported as financing sources on the statement of activities	(5,400,000)
--	-------------

Debt proceeds are not reported as financing sources on the statement of activities	(515,250)
--	-----------

Payment to escrow agent is not reported as a financing use on the statement of activities	4,905,000
---	-----------

Interest is recorded as it accrues in the statement of activities	9,956
---	-------

Decrease in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities	52,254
--	--------

Portions of the Internal Service Funds are also included as governmental activities	(247,113)
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>(2,561,689)</u></b>
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# City of Monroe, Michigan

## Proprietary Funds Statement of Fund Net Assets June 30, 2005

	Enterprise Funds				Internal Service Funds
	Major Funds		Building Authority - Nonmajor Fund	Totals	
	Wastewater	Water			
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 359,094	\$ 736,212	\$ 638	\$ 1,095,944	\$ 1,139,525
Investments	3,219,067	1,816,303	502,000	5,537,370	1,914,734
Receivables:					
Taxes	4,750	3,237	-	7,987	-
Customers	877,235	1,216,487	-	2,093,722	-
Special assessment	-	81,668	-	81,668	-
Interest	17,578	10,621	188	28,387	9,313
Other	14,250	256,964	-	271,214	43,909
Due from other funds (Note 6)	-	-	-	-	190,425
Advances to other funds (Note 6)	-	1,815,358	-	1,815,358	-
Advances to component units (Note 6)	-	1,054,946	-	1,054,946	-
Inventories	-	378,592	-	378,592	29,400
Prepaid costs and other assets	47,729	39,715	-	87,444	206,311
Total current assets	4,539,703	7,410,103	502,826	12,452,632	3,533,617
Noncurrent assets:					
Equity in joint ventures	-	3,685,496	-	3,685,496	-
Capital assets (Note 5)	16,213,858	25,354,369	354,291	41,922,518	1,552,451
Total noncurrent assets	16,213,858	29,039,865	354,291	45,608,014	1,552,451
Total assets	20,753,561	36,449,968	857,117	58,060,646	5,086,068
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	297,163	435,482	-	732,645	71,298
Accrued and other liabilities	184,146	386,830	-	570,976	2,220,258
Due to other funds	-	-	-	-	105,867
Due to other governmental units	-	85,243	-	85,243	-
Deferred revenue	-	-	485,156	485,156	-
Current portion of long-term debt (Note 7)	-	-	-	-	34,248
Total current liabilities	481,309	907,555	485,156	1,874,020	2,431,671
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)	-	900,000	-	900,000	107,396
Total liabilities	481,309	1,807,555	485,156	2,774,020	2,539,067
<b>Net Assets</b>					
Investment in capital assets - Net of related debt	16,213,858	24,454,369	354,291	41,022,518	1,410,807
Unrestricted (Note 2)	4,058,394	10,188,044	17,670	14,264,108	1,136,194
Total net assets	<u>\$ 20,272,252</u>	<u>\$ 34,642,413</u>	<u>\$ 371,961</u>	55,286,626	<u>\$ 2,547,001</u>
A portion of the Internal Service Fund net assets has been attributed to business-type activities				214,184	
Net assets of business-type activities				<u>\$ 55,500,810</u>	

# City of Monroe, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Fund Net Assets Year Ended June 30, 2005

	Enterprise Funds				
	Major Funds		Building Authority - Nonmajor Fund	Totals	Internal Service Funds
	Wastewater	Water			
<b>Operating Revenue</b>					
Sale of water	\$ -	\$ 4,231,495	\$ -	\$ 4,231,495	\$ -
Sewage disposal charges	5,083,350	-	-	5,083,350	-
Charges to other funds	-	-	-	-	3,868,441
Other charges for services	246,054	806,127	-	1,052,181	65,871
Total operating revenue	5,329,404	5,037,622	-	10,367,026	3,934,312
<b>Operating Expenses</b>					
Operations and maintenance	1,556,219	1,383,979	-	2,940,198	322,825
Direct cost of providing service	2,739,941	2,029,857	-	4,769,798	665,355
Depreciation	961,382	821,203	-	1,782,585	205,658
Cost of health care and general liability claims	366,221	391,643	-	757,864	3,327,469
Total operating expenses	5,623,763	4,626,682	-	10,250,445	4,521,307
<b>Operating Income (Loss)</b>	(294,359)	410,940	-	116,581	(586,995)
<b>Nonoperating Revenue (Expenses)</b>					
Investment income	81,197	215,813	11,649	308,659	90,034
Interest expense	-	(51,101)	-	(51,101)	-
Net income from equity in joint ventures	-	(2,491)	-	(2,491)	-
Total nonoperating revenue	81,197	162,221	11,649	255,067	90,034
<b>Income (Loss) - Before capital contributions</b>	(213,162)	573,161	11,649	371,648	(496,961)
<b>Capital Contributions - Contribution of lines</b>	-	523,215	-	523,215	-
<b>Transfers from (to) Other Funds</b>	(24,030)	(17,311)	-	(41,341)	163,589
<b>Change in Net Assets</b>	(237,192)	1,079,065	11,649	853,522	(333,372)
<b>Net Assets - Beginning of year</b>	20,509,444	33,563,348	360,312	54,433,104	2,880,373
<b>Net Assets - End of year</b>	<u>\$ 20,272,252</u>	<u>\$ 34,642,413</u>	<u>\$ 371,961</u>	<u>\$ 55,286,626</u>	<u>\$ 2,547,001</u>
Change in net assets - Enterprise Funds				\$ 853,522	
A portion of Internal Service Fund activity has been attributed to business-type activities				(86,260)	
Change in net assets of governmental activities				<u>\$ 767,262</u>	



# City of Monroe, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2005

	Enterprise Funds				
	Major Funds		Building Authority - Nonmajor Fund	Totals	Internal Service Funds
	Wastewater	Water			
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 5,132,647	\$ 3,906,023	\$ -	\$ 9,038,670	\$ 3,986,740
Payments to suppliers	(4,183,368)	(3,043,263)	-	(7,226,631)	(3,296,177)
Payments to employees for wages and benefits	(432,283)	(399,167)	-	(831,450)	(1,280,818)
Other receipts	246,054	806,127	-	1,052,181	65,871
Net cash provided by (used in) operating activities	763,050	1,269,720	-	2,032,770	(524,384)
<b>Cash Flows from Capital and Related Financing Activities</b>					
Purchase of capital assets	(762,694)	(1,202,469)	-	(1,965,163)	(28,320)
Principal and interest paid on capital debt	-	(436,101)	-	(436,101)	(32,096)
Net cash used in capital and related financing activities	(762,694)	(1,638,570)	-	(2,401,264)	(60,416)
<b>Cash Flows from Investing Activities</b>					
Interest received on investments	73,069	211,127	12,689	296,885	85,749
Purchase of investment securities	-	448,697	(13,000)	435,697	(226,734)
Proceeds from sale and maturities of investment securities	(85,219)	-	-	(85,219)	400,000
Net cash provided by (used in) investing activities	(12,150)	659,824	(311)	647,363	259,015
<b>Cash Flows from Noncapital Financing Activities - Transfers in (out)</b>					
	(24,030)	(17,311)	-	(41,341)	163,589
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(35,824)	273,663	(311)	237,528	(162,196)
<b>Cash and Cash Equivalents - Beginning of year</b>	394,918	462,549	949	858,416	1,301,721
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 359,094</u>	<u>\$ 736,212</u>	<u>\$ 638</u>	<u>\$ 1,095,944</u>	<u>\$ 1,139,525</u>

# City of Monroe, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2005

	Enterprise Funds				
	Major Funds		Building Authority - Nonmajor Fund	Totals	Internal Service Funds
	Wastewater	Water			
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ (294,359)	\$ 410,940	\$ -	\$ 116,581	\$ (586,995)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	961,382	821,203	-	1,782,585	205,658
Receivables	168,748	(317,205)	-	(148,457)	57,657
Prepays	9,951	5,434	-	15,385	33,136
Due from other funds	-	-	-	-	73,694
Inventories	-	72,238	-	72,238	(1,445)
Accounts payable	102,841	276,425	(36)	379,230	12,213
Due to other funds	-	16,476	-	16,476	(48,483)
Deferred revenue	(119,451)	(8,267)	36	(127,682)	-
Accrued and other liabilities	(66,062)	(7,524)	-	(73,586)	(269,819)
Net cash provided by (used in) operating activities	<u>\$ 763,050</u>	<u>\$ 1,269,720</u>	<u>\$ -</u>	<u>\$ 2,032,770</u>	<u>\$ (524,384)</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2005, developers constructed water lines with an estimated value of \$523,215 and donated them to the City.

# City of Monroe, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2005

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust - Cemetery	Agency Funds
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 380,456	\$ 10,441	\$ 6,909,448
Investments:			
U.S. government securities	16,707,548	59,125	-
Stocks	46,555,548	156,220	-
Bonds	23,039,922	20,889	-
Mutual funds	30,878,701	23,230	-
Other investments	2,215,399	-	-
Securities lending short-term collateral	8,730,405	-	-
Receivables - Accrued interest	498,911	9,541	-
Other assets	39,728	-	1,497,897
Total assets	129,046,618	279,446	<u>\$ 8,407,345</u>
<b>Liabilities</b>			
Accounts payable	31,428	4,344	\$ 17,253
Accrued and other liabilities	-	-	6,854
Due to other governmental units	-	-	8,383,238
Amounts due to broker under securities lending agreement	8,730,405	-	-
Total liabilities	8,761,833	4,344	<u>\$ 8,407,345</u>
<b>Net Assets</b> - Held in trust for pension, other employee benefits, and cemetery purposes	<u>\$ 120,284,785</u>	<u>\$ 275,102</u>	

# City of Monroe, Michigan

## Fiduciary Funds Statement of Changes in Net Assets - Pension and Other Employee Benefit Trust Funds and Private Purpose Trust Fund Year Ended June 30, 2005

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Fund - Cemetery
<b>Additions</b>		
Investment income:		
Interest and dividends	\$ 2,947,459	\$ 29,997
Net increase in fair value of investments	4,891,107	-
Less investment expenses	<u>(642,093)</u>	<u>-</u>
Net investment income	7,196,473	29,997
Securities lending income:		
Interest and fees	274,572	-
Less borrower rebates and bank fees	<u>(251,482)</u>	<u>-</u>
Net securities lending income	23,090	-
Contributions:		
Employer	2,684,806	-
Employee	604,801	-
Charges for services	<u>-</u>	<u>31,384</u>
Total contributions	3,289,607	31,384
Transfer in	<u>-</u>	<u>26,200</u>
Total additions	10,509,170	87,581
<b>Deductions</b>		
Benefit payments	5,642,818	-
Refunds of contributions	35,681	-
Administrative expenses	<u>24,582</u>	<u>47,939</u>
Total deductions	<u>5,703,081</u>	<u>47,939</u>
<b>Net Increase</b>	4,806,089	39,642
<b>Net Assets Held in Trust</b>		
Beginning of year	<u>115,478,696</u>	<u>235,460</u>
End of year	<u><b>\$ 120,284,785</b></u>	<u><b>\$ 275,102</b></u>

# City of Monroe, Michigan

## Component Units Statement of Net Assets (Deficit) June 30, 2005

	Port of Monroe	Downtown Development Authority	Brownfield Redevelopment Authority	Total
<b>Current Assets</b>				
Cash and investments	\$ 121,200	\$ 322,000	\$ 383,572	\$ 826,772
Receivables:				
Taxes	28,123	-	-	28,123
Customers	5,279	-	-	5,279
Due from other governmental units	406,485	-	-	406,485
Accrued interest receivable	-	1,716	1,006	2,722
Prepaid expenses	26,896	-	-	26,896
Total current assets	587,983	323,716	384,578	1,296,277
<b>Long-term Assets</b>				
Capital assets	3,805,885	-	-	3,805,885
Restricted assets	19,910	-	-	19,910
Total long-term assets	3,825,795	-	-	3,825,795
Total assets	4,413,778	323,716	384,578	5,122,072
<b>Current Liabilities</b>				
Accounts payable	22,298	25,057	60,844	108,199
Accrued expenses	8,416	-	-	8,416
Due to primary government	-	24,360	-	24,360
Deferred revenue	542,719	-	-	542,719
Advance payable to primary government	-	-	1,367,704	1,367,704
Current portion of contract payable	94,342	-	-	94,342
Current portion of long-term debt	20,000	-	-	20,000
Total current liabilities	687,775	49,417	1,428,548	2,165,740
<b>Noncurrent Liabilities</b>				
Long-term debt - Net of current portion	80,000	-	-	80,000
Contract payable	165,658	-	-	165,658
Environmental liabilities	300,000	-	-	300,000
Total noncurrent liabilities	545,658	-	-	545,658
Total liabilities	1,233,433	49,417	1,428,548	2,711,398
<b>Net Assets (Deficit)</b>				
Investment in capital assets - Net of related debt	3,445,885	-	-	3,445,885
Restricted - Environmental trust	19,910	-	-	19,910
Unrestricted	(285,450)	274,299	(1,043,970)	(1,055,121)
Total net assets (deficit)	\$ 3,180,345	\$ 274,299	\$ (1,043,970)	\$ 2,410,674

The Notes to Financial Statements are an  
Integral Part of this Statement.

# City of Monroe, Michigan

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants/ Contributions
Governmental activities:			
Downtown Development Authority -			
Public Works	\$ 88,654	\$ -	\$ -
Brownfield Redevelopment Authority -			
Public Works	892,052	-	-
Total governmental activities	<u>\$ 980,706</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities - Port of Monroe			
Public Works	<u>\$ 473,639</u>	<u>\$ 124,529</u>	<u>\$ -</u>
General revenues:			
Interest			
Property taxes			
Total general revenues			
<b>Change in Net Assets (Deficit)</b>			
<b>Net Assets (Deficit) - Beginning of year</b>			
<b>Net Assets (Deficit) - End of year</b>			

**Component Units  
Statement of Activities  
Year Ended June 30, 2005**

Net (Expense) Revenue and Changes in Net Assets			
Port of Monroe	Downtown Development Authority	Brownfield Redevelopment Authority	Total
\$ -	\$ (88,654)	\$ -	\$ (88,654)
-	-	(892,052)	(892,052)
-	(88,654)	(892,052)	(980,706)
(349,110)	-	-	(349,110)
2,042	7,093	9,536	18,671
229,914	109,865	730,737	1,070,516
231,956	116,958	740,273	1,089,187
(117,154)	28,304	(151,779)	(240,629)
3,297,499	245,995	(892,191)	2,651,303
<b><u>\$ 3,180,345</u></b>	<b><u>\$ 274,299</u></b>	<b><u>\$ (1,043,970)</u></b>	<b><u>\$ 2,410,674</u></b>

## **Note I - Summary of Significant Accounting Policies**

The accounting policies of the City of Monroe, Michigan (the “City”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Monroe, Michigan:

### **Reporting Entity**

The City of Monroe, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

### **Blended Component Units**

The City Building Authority is governed by a board that is appointed by the mayor and City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City’s public buildings.

### **Discretely Presented Component Units**

The following component units are reported within the component units column in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

- a. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority’s governing body is selected by the mayor and subject to approval by the City Council. In addition, the Authority’s budget is subject to approval by the City Council. The Downtown Development Authority issues a separate financial statement that can be obtained at the administrative offices at 120 E. First Street, Monroe, MI 48161.



### **Note 1 - Summary of Significant Accounting Policies (Continued)**

- b. The Brownfield Redevelopment Authority is a separate legal entity that was created to finance environmental cleanup within the City. The Authority's governing body is selected by the City Council, which has the authority to approve its budget. The Brownfield Redevelopment Authority issues a separate financial statement that can be obtained at the administrative offices at 120 E. First Street, Monroe, MI 48161.
- c. The Port of Monroe (the "Port") was established as a separate legal entity to operate port facilities within the boundaries of the City. The Port is governed by a Port Commission, which is appointed by the City Council. The Commission's annual budget is also approved by the City Council. The Port issues a separate financial statement that can be obtained at the administrative offices at 2929 E. Front Street, Monroe, MI 48161.

**Jointly Governed Organizations** - Jointly governed organizations are discussed in Note 11.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its discretely presented component units. The effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities. Likewise, the primary government is reported separately from the discretely presented component units for which the City is financially accountable. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities rely on user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items are reported instead as general revenue.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to apply private sector standards issued after November 30, 1989.

#### **Fund Descriptions**

**General Fund** - The General Fund is the City's only major governmental fund and its primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

**Water Fund** - The Water Fund accounts for the operation and maintenance of the water supply system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges, state grants, and contributions from other municipalities and customers. This fund is classified as an Enterprise Fund because it does business with individuals and firms outside the local unit departments. The system includes customers in the surrounding townships. The transportation lines to service those customers were installed by the individual townships and remain property of those townships.

**Wastewater Fund** - The Wastewater Fund accounts for the operation and maintenance of the sewage disposal system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges, EPA grants for wastewater treatment plant expansion, state grants, and contributions from other municipalities and customers. This fund is classified as an Enterprise Fund because business is done with individuals outside the local unit departments. The system includes customers in the surrounding townships. In order to fund the system, the surrounding townships contributed approximately 60 percent of the plant assets; accordingly, approximately 60 percent of the capacity rights are reserved for the township customers. In addition, the Monroe Metropolitan Water Pollution Control System Board of Control was established to approve the annual rates for wastewater customers.

Additionally, the City reports the following fund types:

**Internal Service Funds** - Internal Service Funds account for stores and equipment purchases, as well as technology purchases. In addition, the Internal Service Funds account for risk management related to health care, workers' compensation, and general liabilities.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Pension and Other Employee Benefit Trust Funds** - The Pension and Other Employee Benefit Trust Funds account for the activities of the retirement system and the trust established to account for costs related to retiree health care.

**Private Purpose Trust Fund (Cemetery Fund)** - The Private Purpose Trust Fund (Cemetery Fund) accounts for the activities of the Woodland Cemetery. The cemetery is funded through contributions and fees.

**Agency Fund** - The Agency Fund accounts for tax collections that are held by the City in the capacity of trustee. The collections are then transferred to the City funds and to other governmental units on a timely distribution basis.

### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

**Receivables and Payables** - Outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade receivables are shown net of allowance for uncollectible amounts.

**Property Taxes** - Property tax receivables are shown as net of allowance for uncollectible amounts. Properties are assessed as of December 31. The related property taxes are billed and become a lien on the first Tuesday in May of the following year. These taxes are due without penalty during the period from the first Tuesday in May through June 30 with the final collection date of September 15 before they are added to the county tax rolls.

Property taxes billed each May will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at June 30, 2005. The 2004 taxable valuation of the City totaled \$908,284,320, on which ad valorem taxes levied consisted of 13.9656 mills for the City's operating purposes and 1.10 mills for refuse. The ad valorem taxes raised \$12,391,000 for operations and \$974,000 for refuse. These amounts are recognized in the General Fund and Rubbish, Garbage, and Recycling Fund, respectively, as tax revenue.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Real Estate Inventory** - Real estate inventory shown in the General Fund and governmental activities is held for resale and is valued at the lower of cost or market.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure assets purchased prior to the implementation of GASB No. 34 (July 1, 2002) are included in capital assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	15 to 20 years
Water and sewer distribution systems	40 to 75 years
Buildings and improvements	40 to 50 years
Vehicles	3 to 5 years
Machinery and equipment	3 to 7 years

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is a liability for a portion of the unpaid accumulated sick leave since the City has a policy to pay one-half of an employee's unused sick leave when the employee retires. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. All annual appropriations lapse at fiscal year end.

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

The City adopts formal budgets on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, 10 of the 11 Special Revenue Funds (not for the Budget Stabilization Fund), the Debt Service Funds, and the Capital Projects Fund. Every appropriation, except an appropriation for capital expenditure, shall lapse at the close of the fiscal year to the extent it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. By February of each year, all department heads submit spending requests to the finance director so that a budget may be prepared.
2. Before April, the proposed budget is submitted to the City Council for review.
3. Public hearings are held and a final budget is adopted no later than May 1.
4. The City Council must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the Council is the department level.

Encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget is adopted on a departmental basis. Expenditures at this level in excess of budget appropriations are a violation of Michigan law.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City of Mornoe incurred expenditures that were in excess of the amounts budgeted, as follows:

		Final Budget	Actual
Special Revenue Fund - Rubbish, Garbage, and Recycling	Expenditures - Public works	1,133,335	1,193,349
Debt Service Fund - Building Authority	Expenditures - Debt service	483,576	519,492

### **Note 2 - Stewardship, Compliance, and Accountability (Continued)**

A comparison of actual results of operations to the budgets as adopted by the City Council is included in the required supplemental information for the General Fund (major fund) and in the other supplemental information for nonmajor funds.

**Fund Deficits** - For the year ended June 30, 2005, the Brownfield Redevelopment Authority Fund has a fund deficit of \$731,212. This deficit will be eliminated over time as the property tax revenue captures increase when property cleanup is completed and property values increase.

**Net Assets of Internal Service Funds** - Certain net assets of Internal Service Funds have been designated by management for the following purposes:

Insurance	\$ 623,048
Employee benefits	5,627

It is management's intention to use the net assets to pay future claims and insurance premiums.

### **Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated eight banks for the deposit of its funds. The City's investment policy, adopted in accordance with state law, has authorized investment in bank accounts and CDs, as well as investment pools organized under the Surplus Funds Investment Act of 1982 and under the Investment Company Act of 1940. For mutual funds, the City may invest in funds registered under the Investment Company Act of 1940. This authorization is limited to investment pools and mutual funds whose intent is to maintain a net asset value of \$1.00 per share and allows for indirect investment in repurchase agreements and bankers' acceptances of United States banks, as allowable for direct investment by public corporations.



### **Note 3 - Deposits and Investments (Continued)**

The City's Pension Trust Fund (the "Retirement System") and the Retiree Health Care Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

As permitted by state statutes, and under the provisions of a Securities Lending Authorization Agreement, the Retirement System lends securities to broker-dealers and banks for collateral that will be returned for the same securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2005, only United States currency was received as collateral. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The Retirement System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The Retirement System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of June 30, 2005 was 157 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2005, the Retirement System had no credit risk exposure to borrowers. The collateral held and the fair market value of the underlying securities on loan for the Retirement System as of June 30, 2005 were \$8,730,405 and \$8,375,025, respectively.

### Note 3 - Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the City had \$35,274,521 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The City has deposits of \$3,589,150 that are uninsured but collateralized with securities held by the pledging financial institution's agent but not in the depositor-government's name.

#### Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City had no investment securities which were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. government or agency bond or note	\$ 17,935,436	98 months
Corporate bonds	23,060,810	78 months

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2005

### Note 3 - Deposits and Investments (Continued)

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating Organization	Rating
Bank investment pool	\$ 26,867,689	N/A	N/R
Bank investment pool	2,036,766	S&P	AAA
Bank investment pool	132,833	S&P	AA
Bank investment pool	44,278	S&P	A
Mutual fund	4,012,927	N/A	N/R
Corporate bonds	14,413	Moody's	BAA3
Corporate bonds	6,475	Moody's	BA1
Corporate bonds	3,201,340	S&P	A
Corporate bonds	1,618,647	S&P	A-
Corporate bonds	4,313,592	S&P	A+
Corporate bonds	696,881	S&P	AA
Corporate bonds	1,778,646	S&P	AA-
Corporate bonds	719,754	S&P	AA+
Corporate bonds	4,603,762	S&P	AAA
Corporate bonds	2,089,681	S&P	BBB
Corporate bonds	1,220,853	S&P	BBB-
Corporate bonds	2,711,775	S&P	BBB+
Corporate bonds	84,993	N/A	N/R

### Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Property taxes for subsequent year's operations	\$ -	\$ 15,310,551
Special assessments and delinquent property taxes	585,599	-
Total deferred revenue	<u>\$ 585,599</u>	<u>\$ 15,310,551</u>

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2005

### Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 3,037,358	\$ -	\$ -	\$ 3,037,358
Capital assets being depreciated:				
Roads and sidewalks	107,142,124	1,491,185	-	108,633,309
Buildings and improvements	12,941,146	90,397	-	13,031,543
Land improvements	1,204,181	422,481	-	1,626,662
Equipment	6,129,113	899,361	(18,547)	7,009,927
Subtotal	127,416,564	2,903,424	(18,547)	130,301,441
Accumulated depreciation:				
Roads and sidewalks	44,245,400	3,613,354	-	47,858,754
Buildings and improvements	3,827,452	282,647	-	4,110,099
Land improvements	393,403	60,048	-	453,451
Equipment	3,448,098	647,295	(15,454)	4,079,939
Subtotal	51,914,353	4,603,344	(15,454)	56,502,243
Net capital assets being depreciated	75,502,211	(1,699,920)	(3,093)	73,799,198
Net capital assets	\$ 78,539,569	\$ (1,699,920)	\$ (3,093)	\$ 76,836,556

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2005

### Note 5 - Capital Assets (Continued)

	Balance July 1, 2004	Additions	Disposals	Reclassifications	Balance June 30, 2005
<b>Business-type Activities</b>					
Capital assets not being depreciated -					
Land	\$ 367,931	\$ -	\$ -	\$ -	\$ 367,931
Capital assets being depreciated:					
Water and sewer distribution systems	35,832,349	1,628,449	-	-	37,460,798
Land improvements	336,230	4,156	-	-	340,386
Buildings and improvements	20,194,138	256,372	-	69,275	20,519,785
Vehicles	1,028,148	60,886	-	85,620	1,174,654
Machinery and equipment	17,356,701	538,515	-	(154,895)	17,740,321
Subtotal	74,747,566	2,488,378	-	-	77,235,944
Accumulated depreciation:					
Water and sewer distribution systems	9,527,376	542,603	-	-	10,069,979
Land improvements	83,309	17,074	-	-	100,383
Buildings and improvements	10,883,692	397,178	-	-	11,280,870
Vehicles	473,430	159,281	-	-	632,711
Machinery and equipment	12,930,965	666,449	-	-	13,597,414
Subtotal	33,898,772	1,782,585	-	-	35,681,357
Net capital assets being depreciated	40,848,794	705,793	-	-	41,554,587
Net capital assets	\$ 41,216,725	\$ 705,793	\$ -	\$ -	\$ 41,922,518

Depreciation expense was charged to functions of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 220,633
Public safety	310,661
Public works	3,648,007
Recreation and culture	218,385
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	205,658
Total governmental activities	\$ 4,603,344
<b>Business-type activities:</b>	
Water	\$ 821,203
Wastewater	961,382
Total business-type activities	\$ 1,782,585

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2005

### Note 5 - Capital Assets (Continued)

**Construction Commitments** - The City has various active construction projects at year end. The City's construction projects include the 2005 Sanitary Sewer System, as well as various other City projects specifically allocated toward various capital improvements within the City. At year end, the City's commitments with contractors are as follows:

	Total Commitment	Spent to Date	Remaining Commitment
Front Street paving lot construction	\$ 140,857	\$ 28,795	\$ 112,062
2005 sanitary sewer system	610,655	178,979	431,676
2004 curb replacement and street resurfacing	511,702	459,227	52,475
Roessler Street elevated storage tank upgrade	267,650	253,033	14,617
Total	<u>\$ 1,530,864</u>	<u>\$ 920,034</u>	<u>\$ 610,830</u>

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Nonmajor fund - Major Streets Fund	\$ 5,436
Nonmajor fund - Capital Projects Fund	Nonmajor fund - Grant Fund Fund	48,714
Nonmajor fund - Local Street Fund	Nonmajor fund - Major Streets Fund	40,123
Nonmajor fund - Refuse Street Fund	Nonmajor fund - Major Streets Fund	1,543
Nonmajor fund - Refuse Street Fund	Nonmajor fund - Local Street Fund	12,403
Internal service fund - Employee Benefit Fund	Nonmajor fund - Building Authority Debt Service	84,557
Internal service fund - Insurance Fund	Internal service fund - Stores and Equipment Fund	105,867
Total		<u>\$ 298,643</u>

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

#### Due to/from Primary Government and Component Units

General Fund	Component unit - Downtown Development Authority	\$ <u>24,360</u>
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#### Advances Due to/from Other Funds

Water Fund	General Fund	\$ <u>1,815,358</u>
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#### Advances Due to/from Primary Government and Component Units

Economic Development Fund	Component unit - Brownfield Redevelopment Authority	\$ 312,758
Water Fund	Component unit - Brownfield Redevelopment Authority	<u>1,054,946</u>
Total		<u>\$ 1,367,704</u>

Advances are being repaid with interest over a number of years.

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2005

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

#### Interfund Transfers

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>		<u>Amount</u>
General Fund	Nonmajor governmental funds	(1)	\$ 728,032
	Cemetery Trust Fund	(4)	26,200
	Internal Service Funds	(3)	<u>117,682</u>
	Total		871,914
Nonmajor governmental funds	Nonmajor governmental funds	(2)	761,763
	Internal Service Funds	(3)	<u>4,566</u>
	Total		766,329
Wastewater Fund	Internal Service Funds	(3)	17,311
Water Fund	Internal Service Funds	(3)	<u>24,030</u>
	Total transfers		<u><u>\$ 1,679,584</u></u>

(1) Transfer for capital improvements

(2) Transfer for street expenditures

(3) For employee benefits

### Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.



# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2005

### Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Original Amount	Interest Rate Ranges	Principal Maturity Ranges	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>									
General obligation bonds:									
City portion of Monroe County									
Municipal Building Authority									
Bonds - Jail Bond	\$ 401,082	4.85%-5.00%	\$38,616 - \$39,588	2006	\$ 78,205	\$ -	\$ 38,616	\$ 39,589	\$ 39,589
MDEQ Site Revitalization Loan	1,000,000	2.25%	\$81,136 - \$101,356	2015	1,000,000	-	101,355	898,645	81,136
Michigan Resource Recovery									
Project grant repayment	200,000	-%	\$20,000	2009	120,000	-	20,000	100,000	20,000
2005 Monroe Building Authority									
Refunding Bonds	5,400,000	2.5% - 4.375%	\$40,000 - \$445,000	2024	-	5,400,000	-	5,400,000	40,000
1997 Building Authority Bonds - Ice Arena	6,265,000	5.375%-5.40%	\$160,000 - \$450,000	2023	5,805,000	-	5,065,000	740,000	170,000
Total bond obligations					7,003,205	5,400,000	5,224,971	7,178,234	350,725
Other long-term obligations:									
Equipment lease obligations			\$94,844 - \$111,149		-	515,250	-	515,250	94,844
Equipment lease obligations			\$28,371 - \$37,022		173,740	-	32,096	141,644	34,248
Compensated absences					764,572	990,361	1,042,616	712,317	142,464
Total other long-term obligations					938,312	1,505,611	1,074,712	1,369,211	271,556
Total governmental activities					<u>\$ 7,941,517</u>	<u>\$ 6,905,611</u>	<u>\$ 6,299,683</u>	<u>\$ 8,547,445</u>	<u>\$ 622,281</u>
<b>Business-type Activities</b>									
General obligation bonds -									
1997 General Obligation Unlimited									
Tax Water Refunding Bonds	1,740,000	4.4%-4.9%	\$175,000 - \$195,000	2010	\$ 1,285,000	\$ -	\$ 385,000	\$ 900,000	\$ -

All governmental bond obligations are financed through the Debt Service Funds. Other long-term governmental obligations are typically financed through the General Fund. Annual debt service requirements to maturity for the above obligations, excluding compensated absences, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 479,817	\$ 296,069	\$ 775,886	\$ -	\$ 21,228	\$ 21,228
2007	462,350	276,443	738,793	185,000	38,200	223,200
2008	479,731	257,882	737,613	185,000	29,690	214,690
2009	493,655	238,462	732,117	180,000	21,205	201,205
2010	475,285	221,365	696,650	175,000	12,755	187,755
2011-2015	1,924,290	906,949	2,831,239	175,000	4,287	179,287
2016-2020	1,795,000	556,538	2,351,538	-	-	-
2021-2025	1,725,000	152,013	1,877,013	-	-	-
Total	<u>\$ 7,835,128</u>	<u>\$ 2,905,721</u>	<u>\$ 10,740,849</u>	<u>\$ 900,000</u>	<u>\$ 127,365</u>	<u>\$ 1,027,365</u>

### **Note 7 - Long-term Debt (Continued)**

#### **Defeased Debt**

In a prior year, the City defeased certain bonds by placing the proceeds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2005, \$1,100,000 of bonds outstanding are considered to be defeased.

#### **Advance Refunding**

During the year, the City issued \$5,400,000 in Building Authority Refunding Bonds with an average interest rate of 4.1 percent. The proceeds of these bonds were used to advance refund \$4,905,000 of outstanding Building Authority Bonds with an average interest rate of 5.4 percent. The net proceeds of \$5,298,495 (after payment of \$101,505 in underwriting fees, insurance, and other issuance costs, net of bond premium) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the government-wide statement of net assets. The advance refunding reduced total debt service payments over the next 19 years by \$256,000, which represents an economic gain of \$191,952.

### **Note 8 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League risk pool for claims related to general liability; the City is uninsured for workers' compensation and medical benefits.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Settled claims have not exceeded the amount of insurance coverage in the past three years.

### Note 8 - Risk Management (Continued)

The City estimates the liability for workers' compensation and medical benefits that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustment expense, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. These estimates are recorded in the Employee Benefit Internal Service Funds and within the governmental activities and business-type activities columns in the statement of net assets. Changes in the estimated liability for the past two fiscal years were as follows:

	2005	2004
Unpaid claims - Beginning of year	\$ 448,535	\$ 466,234
Incurred claims (including claims incurred but not reported)	1,559,105	1,533,078
Claim payments	<u>(1,623,473)</u>	<u>(1,550,777)</u>
Unpaid claims - End of year	<u>\$ 384,167</u>	<u>\$ 448,535</u>

### Note 9 - Defined Benefit Pension Plan

**Plan Description** - The City of Monroe Employee Retirement System is a single employer defined benefit pension plan that includes hybrid (combination of defined benefit and defined contribution) expenditures and is administered by the City of Monroe. This plan covers substantially all full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

At December 31, 2004, the date of the most recent actuarial valuation, membership consisted of 194 retirees and beneficiaries currently receiving benefits, 16 terminated employees entitled to benefits but not yet receiving them, and 242 current active employees. The plan does not issue a separate financial report.

### Note 9 - Defined Benefit Pension Plan (Continued)

**Funding Policy and Contributions** - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when they are due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of 2 percent to 6 percent of gross wages, depending on the bargaining unit. The funding policy provides for periodic employer contributions at actuarially determined rates. The plan has been fully funded for several years. As a result, the City was not required to make a contribution after January 1, 2000. Administrative costs of the plan are financed through investment earnings.

All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2005. Securities without an established market are reported at estimated fair value.

**Annual Pension Costs** - There was no required contribution for the year ended June 30, 2005. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age cost method. Significant actuarial assumptions used include: (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, (c) additional salary increases of 0 percent to 4 percent related to merit and/or longevity, and (d) 2 percent to 3 percent per year cost of living adjustments (depending on bargaining unit). Both (a) and (b) are determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 5 to 10 years, depending on the bargaining unit.

**Reserves** - As of June 30, 2005, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 9,842,872
Reserve for retired benefit payments	53,157,245

### Note 9 - Defined Benefit Pension Plan (Continued)

Three-year trend information as of June 30 follows:

	Fiscal Year Ended June 30		
	2003	2004	2005
General Employees' Retirement System:			
Annual pension costs (APC)	\$ -	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

### Note 10 - Other Postemployment Benefits

During the year ended June 30, 1999, the City began prefunding for the liability for postemployment health care benefits related to employees covered under the Employees' Retirement System based on an actuarial valuation performed for the year ended December 31, 1998. At June 30, 2005, there were 198 active plan participants. Significant actuarial assumptions used in determining the health care obligation for the Employees' Retirement System include a rate of return on investments of present and future assets of 7.5 percent per year compounded annually and a long-term average assumed rate of premium increases of 4.5 percent per year. The actuarially accrued liability for health care as of June 30, 2005 has not been calculated. Employer payroll contributions of 13 percent were deemed by the actuary to be sufficient to sustain the fund indefinitely. The net assets available at June 30, 2005 amount to \$6,565,733. The health care benefit activity related to the employees covered under the General Employees' Retirement System is recorded in the Retiree Health Care Fund. Employer contributions made to this fund of \$2,684,806 for the year ended June 30, 2005 approximated the actuarially determined required contribution.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2005

### Note 11 - Joint Venture

In October 1991, for the purpose of owning and operating a raw water intake facility, the City and Frenchtown Township formed the Monroe-Frenchtown Raw Water Supply Partnership (the "Partnership"). The Partnership began operations in December 1994 upon completion of Frenchtown Township's own water processing plant.

The City has an 18/26 interest and the Township had a 8/26 interest in the Partnership. Each partner's governing body has an equal vote in managing the affairs of the Partnership. The operation and maintenance costs are split based on actual water consumption. In addition, the Township pays the City an administrative fee of 12.5 percent of its share of operation and maintenance costs. The following financial information of the Partnership was obtained from its audited financial statements for the year ended June 30, 2005:

Total assets	\$ 5,389,149
Total liabilities	61,359
Total equity	5,327,790
Total revenue	336,103
Total operating expenses	333,596
Increase in equity	2,507

Complete financial statements for the joint venture can be obtained from the administrative offices at 120 E. First Street, Monroe, Michigan.

The City's equity interest in the Partnership of \$3,685,496 is recorded in the Water Fund.

### Note 12 - Economic Dependency

Three taxpayers account for approximately 48 percent of the City's tax revenue and 31 percent of the water and sewage disposal revenue.

### Note 13 - Subsequent Event

On August 17, 2005, the City approved the issuance of General Obligation Capital Improvement Bonds totaling \$2,385,000 at an interest rate range of 3.0 percent to 4.25 percent. The bonds are payable through 2025.

## **Required Supplemental Information**

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# City of Monroe, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Fund Balance - Beginning of year</b>	\$ 2,996,881	\$ 2,996,881	\$ 2,996,881	\$ -
<b>Revenue</b>				
Property taxes	13,438,298	13,195,164	13,206,714	11,550
Licenses and permits	200,660	243,000	250,638	7,638
Federal sources	8,000	54,346	49,268	(5,078)
State-shared revenues and grants	2,228,340	2,268,965	2,251,317	(17,648)
Charges for services	2,212,899	2,209,333	2,202,163	(7,170)
Fines and forfeitures	126,890	145,600	140,653	(4,947)
Interest income	250,000	260,000	274,277	14,277
Rent	61,700	64,385	62,153	(2,232)
Other	185,814	67,700	112,046	44,346
Total revenue	18,712,601	18,508,493	18,549,229	40,736
<b>Expenditures</b>				
General government:				
City Council	153,040	189,525	164,027	25,498
City manager	384,527	389,526	385,267	4,259
Clerk-Treasurer	442,419	462,566	462,562	4
Finance	463,952	479,038	474,717	4,321
Assessor	293,278	329,605	325,595	4,010
Attorney	241,774	261,189	261,190	(1)
Data processing	180,432	180,432	180,432	-
Personnel	228,381	275,651	275,652	(1)
Engineering	490,377	440,974	435,883	5,091
City hall grounds	311,143	295,292	288,166	7,126
Total general government	3,189,323	3,303,798	3,253,491	50,307
Public safety:				
Police	4,787,831	4,842,587	4,759,209	83,378
Fire	3,971,134	4,259,026	4,170,386	88,640
Zoning/Ordinance enforcement	293,288	283,288	267,840	15,448
Total public safety	9,052,253	9,384,901	9,197,435	187,466
Public works - Department of Public Services	2,213,049	2,220,818	2,195,589	25,229
Health and welfare - Community development	424,600	420,858	395,669	25,189



# City of Monroe, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Expenditures (Continued)</b>				
Recreation and culture:				
Historic district commission	\$ 17,150	\$ 17,150	\$ 13,201	\$ 3,949
Social services	141,525	141,525	141,525	-
Public access TV	83,700	106,612	106,611	1
Library	56,100	56,100	56,100	-
Recreation	<u>1,953,064</u>	<u>1,807,062</u>	<u>1,755,819</u>	<u>51,243</u>
Total recreation and culture	2,251,539	2,128,449	2,073,256	55,193
Contingencies	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	17,380,764	17,458,824	17,115,440	343,384
<b>Other Uses - Transfers to other funds</b>	<u>(1,331,546)</u>	<u>(1,224,502)</u>	<u>(1,223,448)</u>	<u>1,054</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 2,997,172</b></u>	<u><b>\$ 2,822,048</b></u>	<u><b>\$ 3,207,222</b></u>	<u><b>\$ 385,174</b></u>

# City of Monroe, Michigan

## Required Supplemental Information Retirement System Schedule of Funding Progress and Employer Contributions June 30, 2005 (Dollar amounts in thousands)

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Overfunded AAL as a Percentage of Covered Payroll
<b>General Employees' Retirement System</b>						
12/31/99	\$ 94,155	\$ 62,487	\$ (31,668)	150.7	\$ 10,474	302.3
12/31/00	104,266	69,040	(35,226)	151.0	11,857	297.1
12/31/01	110,126	72,033	(38,093)	152.9	11,907	319.9
12/31/02	110,362	81,224	(29,138)	135.9	12,515	232.8
12/31/03	110,752	86,365	(24,387)	128.2	12,573	194.0
12/31/04	111,524	98,058	(13,466)	113.7	13,016	103.5

The schedule of employer contributions is as follows:

### General Employees' Retirement System

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
06/30/99	12/31/97	\$ 547,316	100.0
06/30/00	12/31/98	426,131	100.0
06/30/01	12/31/99	11,596	100.0
06/30/02	12/31/00	-	100.0
06/30/03	12/31/01	-	100.0
06/30/04	12/31/02	-	100.0
06/30/05	12/31/03	-	100.0

\* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated.  
Additional information as of December 31, 2000, the latest actuarial valuation date, is as follows:

### General Employees' Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period	Varies
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return**	7.5%
**Includes inflation at	4.5%
Seniority/merit	0% -4%
Cost of living adjustments	2%-3%

## **Other Supplemental Information**

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# Nonmajor Governmental Funds

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## Special Revenue Funds

The **Major Streets Fund** accounts for the construction, maintenance, and repairs of all major streets. Financing is provided by state-shared gas and weight taxes, local contributions, and bonding. This fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

The **Local Streets Fund** accounts for the construction, maintenance, and repairs of all local streets. Financing is provided by state-shared gas and weight taxes, local contributions, and bonding. This fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

The **Rubbish, Garbage, and Recycling Fund** accounts for the funds provided by special tax millage for the collection and removal of solid waste. This fund was authorized by a vote of the people authorizing a tax levy.

The **Parking Meter Fund** accounts for collection of parking fees and fines and offsetting costs.

The **Grants Fund** accounts for entitlements received under the federally funded Community Development Block Grant Program. These funds are used to provide approved Block Grant projects and programs.

The **Budget Stabilization Fund** accounts for funds earmarked for use in balancing the budget in future years.

The **Drug Forfeiture Fund** accounts for proceeds of forfeited property seized in connection with a violation of the controlled substance statutes, Public Act 135 of 1985 (MCLA 333,7521-7524).

The **Economic Development Fund** accounts for economic development activities within the City. Currently, interest earnings are the only source of revenue.

The **Airport Fund** accounts for the operations of Custer Airport. Financing is provided by user charges.

The **Building Safety Fund** accounts for operations of construction code activities.

The **Expendable Trust Fund** accounts for money held in trust resulting from donations to be used for a particular purpose.

# **Nonmajor Governmental Funds (Continued)**

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## **Debt Service Funds**

The **Debt Service Fund** accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment levies, for which the government is obligated in some manner for payment.

The **Building Authority Fund** is used to account for the accumulation of resources and payment of general obligation bond principal and interest related to the multi-sports complex.

## **Capital Projects Fund**

The **Capital Projects Fund** is used to account for the development of capital facilities other than those financed by the operations of an Enterprise Fund.

# City of Monroe, Michigan

	Special					
	Major Streets	Local Streets	Rubbish, Garbage, and Recycling	Parking Meter	Grants	Budget Stabilization
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ 109,144	\$ 364,967	\$ 197,368	\$ 52,730	\$ 8,875
Investments	1,353,000	-	835,000	91,000	376,000	1,991,125
Receivables:						
Customer receivables	-	-	-	-	-	-
Property taxes	-	-	105,701	-	-	-
Economic development loans	-	-	-	-	88,414	-
Special assessment receivable	29,220	-	-	-	-	-
Accrued interest	5,309	161	1,506	1,292	1,762	-
Other	516	2,667	200	6,100	645	-
Other assets	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-
Due from other funds	-	40,123	13,946	-	-	-
Due from other governmental units	160,490	56,331	26	-	59,001	-
Total assets	<u>\$ 1,548,535</u>	<u>\$ 208,426</u>	<u>\$ 1,321,346</u>	<u>\$ 295,760</u>	<u>\$ 578,552</u>	<u>\$ 2,000,000</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 22,324	\$ 1,331	\$ 154,338	\$ 33,523	\$ -	\$ -
Accrued and other liabilities	-	-	-	1,109	-	-
Deferred revenue	24,941	2,668	1,077,964	6,100	90,742	-
Due to other funds	41,666	-	-	-	54,150	-
Total liabilities	88,931	3,999	1,232,302	40,732	144,892	-
<b>Fund Balances - Unreserved</b>	<u>1,459,604</u>	<u>204,427</u>	<u>89,044</u>	<u>255,028</u>	<u>433,660</u>	<u>2,000,000</u>
Total liabilities and fund balances	<u>\$ 1,548,535</u>	<u>\$ 208,426</u>	<u>\$ 1,321,346</u>	<u>\$ 295,760</u>	<u>\$ 578,552</u>	<u>\$ 2,000,000</u>

**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2005**

Revenue Funds					Debt Service Funds		Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Drug Forfeiture	Economic Development	Airport	Building Department	Expendable Trust	Debt Service	Building Authority	Capital Projects Fund	
\$ 51,326	\$ 152,565	\$ 32,836	\$ 252,032	\$ 92,881	\$ 405	\$ 28,859	\$ -	\$ 1,343,988
-	247,520	-	-	-	-	231,845	1,773,000	6,898,490
-	-	17,870	-	-	-	-	-	17,870
-	-	-	-	-	531	-	1,198	107,430
-	632,156	-	-	-	-	-	-	720,570
-	-	-	-	-	-	-	187,244	216,464
142	901	23	570	-	-	582	9,498	21,746
-	233,967	-	-	78	-	-	3,114	247,287
-	-	5,995	5,132	12,168	-	-	-	23,295
-	312,758	-	-	-	-	-	-	312,758
-	-	-	-	-	-	-	48,714	102,783
-	-	36,670	-	-	-	-	1,604	314,122
<b>\$ 51,468</b>	<b>\$ 1,579,867</b>	<b>\$ 93,394</b>	<b>\$ 257,734</b>	<b>\$ 105,127</b>	<b>\$ 936</b>	<b>\$ 261,286</b>	<b>\$ 2,024,372</b>	<b>\$ 10,326,803</b>
\$ 223	\$ -	\$ 40,201	\$ 1,055	\$ 300	\$ -	\$ -	\$ 55,486	\$ 308,781
-	-	-	5,763	-	-	-	-	6,872
-	944,914	2,120	-	-	532	-	155,484	2,305,465
-	-	-	-	-	-	84,558	12,403	192,777
223	944,914	42,321	6,818	300	532	84,558	223,373	2,813,895
51,245	634,953	51,073	250,916	104,827	404	176,728	1,800,999	7,512,908
<b>\$ 51,468</b>	<b>\$ 1,579,867</b>	<b>\$ 93,394</b>	<b>\$ 257,734</b>	<b>\$ 105,127</b>	<b>\$ 936</b>	<b>\$ 261,286</b>	<b>\$ 2,024,372</b>	<b>\$ 10,326,803</b>

# City of Monroe, Michigan

	Special					
	Major Streets	Local Streets	Rubbish, Garbage, and Recycling	Parking Meter	Grants	Budget Stabilization
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ 1,011,766	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Federal sources	367,000	-	-	-	297,288	-
State sources	1,134,245	348,222	-	-	-	-
Charges for service	-	-	10,579	131,652	-	-
Interest income	37,565	5,999	16,988	7,021	12,107	-
Special assessments	3,918	-	-	-	-	-
Rent	-	-	-	-	-	-
Other	559	60,711	-	-	33,303	-
Total revenue	1,543,287	414,932	1,039,333	138,673	342,698	-
<b>Expenditures</b>						
Current services:						
Public safety	-	-	-	172,146	-	-
Public works	1,411,763	1,182,264	1,193,349	3,014	-	-
Health and welfare	-	-	-	-	53,070	-
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	1,411,763	1,182,264	1,193,349	175,160	53,070	-
<b>Excess of Revenue Over (Under)</b>						
<b>Expenditures</b>	131,524	(767,332)	(154,016)	(36,487)	289,628	-
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	383,640	-	-	-	-
Transfers out	(257,740)	-	-	(662)	(244,373)	-
Proceeds from issuance of long-term debt	-	-	-	-	-	-
Defeasance of debt	-	-	-	-	-	-
Total other financing sources (uses)	(257,740)	383,640	-	(662)	(244,373)	-
<b>Net Change in Fund Balances</b>	(126,216)	(383,692)	(154,016)	(37,149)	45,255	-
<b>Fund Balances - Beginning of year</b>	1,585,820	588,119	243,060	292,177	388,405	2,000,000
<b>Fund Balances - End of year</b>	<u>\$ 1,459,604</u>	<u>\$ 204,427</u>	<u>\$ 89,044</u>	<u>\$ 255,028</u>	<u>\$ 433,660</u>	<u>\$ 2,000,000</u>



**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2005**

Revenue Funds					Debt Service Funds		Nonmajor Capital Projects Fund	
Drug Forfeiture	Economic Development	Airport	Building Safety	Expendable Trust	Debt Service	Building Authority	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,011,766
-	-	-	418,267	-	-	-	-	418,267
1,933	-	-	-	-	-	-	-	666,221
-	-	-	-	-	-	-	157,811	1,640,278
-	-	-	-	-	-	-	-	142,231
1,149	10,010	937	5,420	-	913	4,780	42,521	145,410
-	-	-	-	-	-	-	99,790	103,708
-	-	-	-	-	-	432,459	-	432,459
12,826	399,440	65,281	-	70,076	-	14,465	4,779	661,440
15,908	409,450	66,218	423,687	70,076	913	451,704	304,901	5,221,780
14,107	-	-	-	-	-	-	-	186,253
-	16,670	81,868	374,649	72,725	-	-	862,110	5,198,412
-	-	-	-	-	-	-	-	53,070
-	-	-	-	-	-	-	908,326	908,326
-	-	-	-	-	61,561	513,257	-	574,818
-	-	-	-	4,667	383	6,235	-	11,285
14,107	16,670	81,868	374,649	77,392	61,944	519,492	1,770,436	6,932,164
1,801	392,780	(15,650)	49,038	(7,316)	(61,031)	(67,788)	(1,465,535)	(1,710,384)
-	-	-	-	-	54,461	-	1,051,694	1,489,795
-	(244,000)	-	(3,904)	(15,650)	-	-	-	(766,329)
-	-	-	-	-	-	5,400,000	515,250	5,915,250
-	-	-	-	-	-	(5,298,496)	-	(5,298,496)
-	(244,000)	-	(3,904)	(15,650)	54,461	101,504	1,566,944	1,340,220
1,801	148,780	(15,650)	45,134	(22,966)	(6,570)	33,716	101,409	(370,164)
49,444	486,173	66,723	205,782	127,793	6,974	143,012	1,699,590	7,883,072
<b>\$ 51,245</b>	<b>\$ 634,953</b>	<b>\$ 51,073</b>	<b>\$ 250,916</b>	<b>\$ 104,827</b>	<b>\$ 404</b>	<b>\$ 176,728</b>	<b>\$ 1,800,999</b>	<b>\$ 7,512,908</b>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds Year Ended June 30, 2005

### Special Revenue Fund - Major Streets

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues and Other Sources</b>				
Grants	\$ -	\$ 60,253	\$ -	\$ (60,253)
Interest on investments	17,850	17,450	37,565	20,115
State sources	1,115,531	1,115,531	1,134,245	18,714
Federal sources	370,000	370,000	367,000	(3,000)
Other income	3,500	3,500	4,477	977
Total revenues and other sources	<u>\$ 1,506,881</u>	<u>\$ 1,566,734</u>	<u>\$ 1,543,287</u>	<u>\$ (23,447)</u>
<b>Expenditures and Other Uses</b>				
Public works	\$ 1,185,050	\$ 1,641,648	\$ 1,411,763	\$ (229,885)
Other uses - Transfers out	251,382	251,382	257,740	6,358
Total expenditures and other uses	<u>\$ 1,436,432</u>	<u>\$ 1,893,030</u>	<u>\$ 1,669,503</u>	<u>\$ (223,527)</u>

### Special Revenue Fund - Local Streets

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues and Other Sources</b>				
State sources	\$ 351,300	\$ 351,300	\$ 348,222	\$ (3,078)
Interest on investments	6,500	6,500	5,999	(501)
Other revenue	60,216	120,432	60,711	(59,721)
Other sources - Transfers in	377,282	377,282	383,640	6,358
Total revenues and other sources	<u>\$ 795,298</u>	<u>\$ 855,514</u>	<u>\$ 798,572</u>	<u>\$ (56,942)</u>
<b>Expenditures - Public works</b>	<u>\$ 923,015</u>	<u>\$ 1,253,814</u>	<u>\$ 1,182,264</u>	<u>\$ (71,550)</u>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2005

### Special Revenue Fund - Rubbish, Garbage, and Recycling

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 1,034,895	\$ 1,034,895	\$ 1,011,766	\$ (23,129)
Interest on investments	13,500	13,500	16,988	3,488
Charges for services	15,000	15,000	10,579	(4,421)
Total revenues	<u>\$ 1,063,395</u>	<u>\$ 1,063,395</u>	<u>\$ 1,039,333</u>	<u>\$ (24,062)</u>
<b>Expenditures - Public works</b>	<u>\$ 1,048,642</u>	<u>\$ 1,133,335</u>	<u>\$ 1,193,349</u>	<u>\$ 60,014</u>

### Special Revenue Fund - Parking Meter

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Parking fees and fines	\$ 164,000	\$ 144,000	\$ 131,652	\$ (12,348)
Interest on investments	4,500	4,500	7,021	2,521
Total revenues	<u>\$ 168,500</u>	<u>\$ 148,500</u>	<u>\$ 138,673</u>	<u>\$ (9,827)</u>
<b>Expenditures and Other Uses</b>				
Other uses - Transfer out	\$ 662	\$ 662	\$ 662	\$ -
Public safety	162,339	263,746	175,160	(88,586)
Total expenditures and other uses	<u>\$ 163,001</u>	<u>\$ 264,408</u>	<u>\$ 175,822</u>	<u>\$ (88,586)</u>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2005

### Special Revenue Fund - Economic Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Intergovernmental	\$ 45,000	\$ 45,000	\$ -	\$ (45,000)
Sale of assets	326,563	326,563	399,440	72,877
Interest on investments	4,000	4,000	10,010	6,010
Total revenues	<u>\$ 375,563</u>	<u>\$ 375,563</u>	<u>\$ 409,450</u>	<u>\$ 33,887</u>
<b>Expenditures and Other Uses</b>				
Public works	\$ 45,000	\$ 45,000	\$ 16,670	\$ (28,330)
Other uses - Transfer out	244,000	244,000	244,000	-
Total expenditures and other uses	<u>\$ 289,000</u>	<u>\$ 289,000</u>	<u>\$ 260,670</u>	<u>\$ (28,330)</u>

### Special Revenue Fund - Drug Forfeiture

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Fines and forfeitures	\$ 20,000	\$ 20,000	\$ 12,826	\$ (7,174)
Grant revenue	-	-	1,933	1,933
Interest on investments	500	500	1,149	649
Total revenues	<u>\$ 20,500</u>	<u>\$ 20,500</u>	<u>\$ 15,908</u>	<u>\$ (4,592)</u>
<b>Expenditures - Public safety</b>	<u>\$ 38,071</u>	<u>\$ 38,071</u>	<u>\$ 14,107</u>	<u>\$ (23,964)</u>

### Special Revenue Fund - Airport

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Intergovernmental	\$ 150,000	\$ 482,500	\$ -	\$ (482,500)
Commissions	72,700	72,700	65,281	(7,419)
Rent	-	-	-	-
Interest on investments	130	130	937	807
Total revenues	<u>\$ 222,830</u>	<u>\$ 555,330</u>	<u>\$ 66,218</u>	<u>\$ (489,112)</u>
<b>Expenditures - Public works</b>	<u>\$ 56,300</u>	<u>\$ 425,520</u>	<u>\$ 81,868</u>	<u>\$ (343,652)</u>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Licenses and permits	\$ 443,450	\$ 443,450	\$ 418,267	\$ (25,183)
Interest on investments	4,000	4,000	5,420	1,420
Total revenues	<u>\$ 447,450</u>	<u>\$ 447,450</u>	<u>\$ 423,687</u>	<u>\$ (23,763)</u>
<b>Expenditures and Other Uses</b>				
Public works	\$ 374,044	\$ 377,062	\$ 374,649	\$ (2,413)
Other uses - Transfers out	-	3,904	3,904	-
Total expenditures and other uses	<u>\$ 374,044</u>	<u>\$ 380,966</u>	<u>\$ 378,553</u>	<u>\$ (2,413)</u>
<b>Special Revenue Fund - Grants</b>				
	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues and Other Sources</b>				
Federal sources	\$ 629,000	\$ 629,000	\$ 297,288	\$ (331,712)
Interest income	28,800	28,800	12,107	(16,693)
Other sources - Transfers in	-	-	33,303	33,303
Total revenues and other sources	<u>\$ 657,800</u>	<u>\$ 657,800</u>	<u>\$ 342,698</u>	<u>\$ (315,102)</u>
<b>Expenditures</b>				
Health and welfare	\$ 127,000	\$ 144,500	\$ 53,070	\$ (91,430)
Other Uses - Transfers out	502,000	502,000	244,373	(257,627)
Total expenditures and other uses	<u>\$ 629,000</u>	<u>\$ 646,500</u>	<u>\$ 297,443</u>	<u>\$ (349,057)</u>
<b>Special Revenue Fund - Expendable Trust</b>				
	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues - Other revenue</b>	<u>\$ -</u>	<u>\$ 83,771</u>	<u>\$ 70,076</u>	<u>\$ (13,695)</u>
<b>Expenditures</b>				
Public works	\$ -	\$ 168,292	\$ 77,392	\$ (90,900)
Other uses - Transfers out	-	15,650	15,650	-
Total expenditures and other uses	<u>\$ -</u>	<u>\$ 183,942</u>	<u>\$ 93,042</u>	<u>\$ (90,900)</u>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2005

### Debt Service Fund - Debt Service

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Transfer in	\$ 74,461	\$ 54,461	\$ 54,461	\$ -
Interest on investments	300	300	913	613
Total revenues	<u>\$ 74,761</u>	<u>\$ 54,761</u>	<u>\$ 55,374</u>	<u>\$ 613</u>
<b>Expenditures - Debt service</b>	<u>\$ 81,561</u>	<u>\$ 61,561</u>	<u>\$ 61,944</u>	<u>\$ 383</u>

### Debt Service Fund - Building Authority

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Rent	\$ 499,692	\$ 499,692	\$ 432,459	\$ (67,233)
Interest on investments	2,000	2,000	4,780	2,780
Other	-	-	14,465	14,465
Total revenues	<u>\$ 501,692</u>	<u>\$ 501,692</u>	<u>\$ 451,704</u>	<u>\$ (49,988)</u>
<b>Expenditures - Debt service</b>	<u>\$ 483,576</u>	<u>\$ 483,576</u>	<u>\$ 519,492</u>	<u>\$ 35,916</u>
<b>Other Sources - Proceeds from issuance of long-term debt</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,400,000</u>	<u>\$ 5,400,000</u>
<b>Other Uses - Defeasance of debt</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,298,496)</u>	<u>\$ (5,298,496)</u>

### Capital Projects Fund - Capital Projects

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Interest on investments	\$ 25,000	\$ 25,000	\$ 42,521	\$ 17,521
State sources	371,316	390,831	157,811	(233,020)
Special assessments	52,100	175,092	99,790	(75,302)
Other	13,144	95,404	4,779	(90,625)
Transfers in	1,139,673	1,188,823	1,051,694	(137,129)
Proceeds from long-term debt	-	-	515,250	515,250
Total revenues	<u>\$ 1,601,233</u>	<u>\$ 1,875,150</u>	<u>\$ 1,871,845</u>	<u>\$ (3,305)</u>

## Internal Service Funds

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The **Stores and Equipment Fund** accounts for the costs of acquiring and maintaining equipment and supplies utilized in the operations of the City. Departments are charged a rate sufficient to cover all costs, plus a provision for depreciation and replacement.

The **Information Systems Fund** records the operations of the management information systems department, which includes procurement and maintenance of equipment and computing support for informational needs of the City. Financing is provided by reimbursement from user service charges.

The **Insurance Fund** accounts for payment of public liability premiums.

The **Employee Benefits Fund** accounts for payment of certain employee benefits including health care and workers' compensation for which the City is self insured and finances its claim payments through budgeted transfers from other funds.

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2005

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 155,339	\$ 372,104	\$ 29,200	\$ 582,882	\$ 1,139,525
Investments	-	105,000	307,734	1,502,000	1,914,734
Receivables:					
Interest	10	1,137	438	7,728	9,313
Other	7,143	-	-	36,766	43,909
Due from other funds	-	-	105,867	84,558	190,425
Prepaid costs and other assets	25,812	377	180,122	-	206,311
Inventories	29,400	-	-	-	29,400
Total current assets	217,704	478,618	623,361	2,213,934	3,533,617
Noncurrent assets - Capital assets	1,536,798	15,653	-	-	1,552,451
Total assets	1,754,502	494,271	623,361	2,213,934	5,086,068
<b>Liabilities</b>					
Current:					
Accounts payable	26,475	3,077	313	41,433	71,298
Accrued liabilities	31,944	21,440	-	2,166,874	2,220,258
Current portion of long-term debt	34,248	-	-	-	34,248
Due to other funds	105,867	-	-	-	105,867
Total current liabilities	198,534	24,517	313	2,208,307	2,431,671
Noncurrent liabilities - Long-term debt - Net of current portion	107,396	-	-	-	107,396
Total liabilities	305,930	24,517	313	2,208,307	2,539,067
<b>Net Assets</b>					
Invested in capital assets - Net of related debt	1,395,154	15,653	-	-	1,410,807
Unrestricted	53,418	454,101	623,048	5,627	1,136,194
Total net assets	<u>\$ 1,448,572</u>	<u>\$ 469,754</u>	<u>\$ 623,048</u>	<u>\$ 5,627</u>	<u>\$ 2,547,001</u>



# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2005

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
<b>Operating Revenue</b>					
Charges to other funds	\$ 831,818	\$ 413,721	\$ 250,000	\$ 2,372,902	\$ 3,868,441
Other	9,064	31,532	-	25,275	65,871
Total operating revenue	840,882	445,253	250,000	2,398,177	3,934,312
<b>Operating Expenses</b>					
Insurance premiums and claims	95,449	64,105	335,534	2,832,381	3,327,469
Operations and maintenance	310,732	12,093	-	-	322,825
General and administrative	383,489	277,496	-	4,370	665,355
Depreciation	200,985	4,673	-	-	205,658
Total operating expenses	990,655	358,367	335,534	2,836,751	4,521,307
<b>Operating Income (Loss)</b>	(149,773)	86,886	(85,534)	(438,574)	(586,995)
<b>Nonoperating Income</b> - Investment income	2,560	14,141	18,962	54,371	90,034
<b>Transfers to/from Other Funds</b>	(4,000)	(3,933)	-	171,522	163,589
<b>Net Income (Loss)</b>	(151,213)	97,094	(66,572)	(212,681)	(333,372)
<b>Net Assets</b> - Beginning of year	1,599,785	372,660	689,620	218,308	2,880,373
<b>Net Assets</b> - End of year	<u>\$ 1,448,572</u>	<u>\$ 469,754</u>	<u>\$ 623,048</u>	<u>\$ 5,627</u>	<u>\$ 2,547,001</u>

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2005

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 868,200	\$ 413,721	\$ 298,483	\$ 2,406,336	\$ 3,986,740
Payments to suppliers	(503,937)	(100,568)	(217,174)	(2,474,498)	(3,296,177)
Payments to employees for wages and benefits	(363,259)	(251,286)	(89,060)	(577,213)	(1,280,818)
Other receipts/payments	9,064	31,532	-	25,275	65,871
Net cash provided by (used in ) operating activities	10,068	93,399	(7,751)	(620,100)	(524,384)
<b>Cash Flows from Noncapital Financing Activities -</b>					
Transfers in (out)	(4,000)	(3,933)	-	171,522	163,589
<b>Cash Flows from Capital and Related Financing Activities</b>					
Principal and interest paid on long-term debt	(32,096)	-	-	-	(32,096)
Purchase of capital assets	(17,797)	(10,523)	-	-	(28,320)
Net cash used in capital and related financing activities	(49,893)	(10,523)	-	-	(60,416)
<b>Cash Flows from Investing Activities</b>					
Interest received on investments	2,579	13,570	19,145	50,455	85,749
Purchase of investment securities	-	(91,000)	(135,734)	-	(226,734)
Proceeds from sale and maturities of investment securities	-	-	-	400,000	400,000
Net cash provided by (used in ) investing activities	2,579	(77,430)	(116,589)	450,455	259,015
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(41,246)	1,513	(124,340)	1,877	(162,196)
<b>Cash and Cash Equivalents - July 1, 2004</b>	196,585	370,591	153,540	581,005	1,301,721
<b>Cash and Cash Equivalents - June 30, 2005</b>	<u>\$ 155,339</u>	<u>\$ 372,104</u>	<u>\$ 29,200</u>	<u>\$ 582,882</u>	<u>\$ 1,139,525</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ (149,773)	\$ 86,886	\$ (85,534)	\$ (438,574)	\$ (586,995)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	200,985	4,673	-	-	205,658
Changes in assets and liabilities:					
Receivables	36,382	-	-	21,275	57,657
Due from other funds	-	-	48,483	25,211	73,694
Prepaid costs and other assets	3,569	51	29,516	-	33,136
Inventory	(1,445)	-	-	-	(1,445)
Accounts payable	(13,195)	487	(216)	25,137	12,213
Accrued and other liabilities	(17,972)	1,302	-	(253,149)	(269,819)
Due to other funds	(48,483)	-	-	-	(48,483)
Net cash provided by (used in) operating activities	<u>\$ 10,068</u>	<u>\$ 93,399</u>	<u>\$ (7,751)</u>	<u>\$ (620,100)</u>	<u>\$ (524,384)</u>

## **Pension and Other Employee Benefit Trust Funds**

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The **Pension Trust Fund** accounts for the activities of the Monroe Employees' Retirement System, which accumulates resources for pension benefit payments to qualified city employees. The money in this fund is obtained by employer pension expenses from operating funds (employer contributions), employee payroll deductions (employee contributions), and investment earnings.

The **Retiree Health Care Fund** accounts for costs related to retiree health care benefits. Financing is provided through budgeted transfers from other funds.

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds - Pension and Other Employee Benefit Trust Funds June 30, 2005

	Pension Trust	Retiree Health Care	Total
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 380,456	\$ 380,456
Investments:			
U.S. government	16,707,548	-	16,707,548
Stocks	44,390,286	2,165,262	46,555,548
Corporate bonds	23,039,922	-	23,039,922
Mutual funds	26,867,689	4,011,012	30,878,701
Other investments	2,215,399	-	2,215,399
Securities lending short-term collateral	8,730,405	-	8,730,405
Receivables:			
Interest	498,208	703	498,911
Other	-	39,728	39,728
<b>Total assets</b>	<b>122,449,457</b>	<b>6,597,161</b>	<b>129,046,618</b>
<b>Liabilities</b>			
Accrued and other liabilities	-	31,428	31,428
Amounts due to broker under securities lending agreement	8,730,405	-	8,730,405
<b>Total liabilities</b>	<b>8,730,405</b>	<b>31,428</b>	<b>8,761,833</b>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<b><u>\$ 113,719,052</u></b>	<b><u>\$ 6,565,733</u></b>	<b><u>\$ 120,284,785</u></b>

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds - Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2005

	Pension Trust	Retiree Health Care	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 2,947,459	\$ -	\$ 2,947,459
Net increase in fair value of investments	4,398,396	492,711	4,891,107
Less investment expenses	(642,093)	-	(642,093)
Net investment income	6,703,762	492,711	7,196,473
Securities lending income:			
Interest and fees	274,572	-	274,572
Less borrower rebates and bank fees	(251,482)	-	(251,482)
Net securities lending income	23,090	-	23,090
Contributions:			
Employer	-	2,684,806	2,684,806
Employee	604,801	-	604,801
Total additions	7,331,653	3,177,517	10,509,170
<b>Deductions</b>			
Benefit payments	4,097,324	1,545,494	5,642,818
Refunds of contributions	35,681	-	35,681
Administrative expenses	22,820	1,762	24,582
Total deductions	4,155,825	1,547,256	5,703,081
<b>Net Increase</b>	3,175,828	1,630,261	4,806,089
<b>Net Assets Held in Trust for Pension Benefits</b>			
Beginning of year	110,543,224	4,935,472	115,478,696
End of year	<u>\$ 113,719,052</u>	<u>\$ 6,565,733</u>	<u>\$ 120,284,785</u>

## **Statistical Section**

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The statistical section presents comparative supplemental data on general governmental expenditures by function, general government revenue by source, statement of property taxes levied, collected, and outstanding, adjusted assessed value, and estimated full value of taxable property, direct and overlapping government schedule of tax rates (all taxing units), principal taxpayers, computation of legal debt margin, ratio of net general obligation bonded debt, ratio of annual debt service expenditures, revenue bond coverages, demographic statistics, and property value, construction, and bank deposits.

# City of Monroe, Michigan

## General Governmental Expenditures by Function Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Health and Welfare	Recreation and Culture	Capital Outlay/ Projects	Debt Service	Other	Total
2005	\$ 3,253,491	\$ 9,383,688	\$ 7,394,001	\$ 448,739	\$ 2,073,256	\$ 908,326	\$ 574,818	\$ 11,285	\$ 24,047,604
2004	3,296,274	8,357,193	6,473,435	398,816	2,228,214	752,814	493,451	581,708	22,581,905
2003	3,220,607	8,185,968	5,094,798	439,951	1,969,654	1,491,705	489,841	581,915	21,474,439
2002	3,048,006	7,827,038	6,309,539	448,615	1,861,874	1,852,104	401,150	587,031	22,335,357
2001	2,893,395	7,578,789	7,267,506	419,701	388,560	2,069,934	63,964	722,012	21,403,861
2000	2,458,253	7,394,091	4,484,654	550,387	343,368	899,816	180,764	792,630	17,103,963
1999	2,335,224	7,350,452	5,085,821	468,836	363,344	1,167,421	207,085	624,105	17,602,288
1998	2,228,858	6,845,341	4,046,587	859,310	390,616	849,457	527,486	938,334	16,685,989
1997	2,265,970	6,157,775	3,986,785	356,301	746,172	920,697	519,244	2,125,000	17,077,944
1996	1,959,601	5,814,763	4,022,003	375,642	786,907	1,126,730	589,454	2,593,684	17,268,784

# City of Monroe, Michigan

## General Governmental Revenue by Source Last Ten Fiscal Years

Fiscal Year	Taxes Assessments and Penalty	Special Assessments	Licenses and Permits	Inter-governmental	Charges for Services	Fines and Forfeits	Miscellaneous	Interest, Rents, and Royalties	Total
2005	\$ 14,218,480	\$ 103,708	\$ 668,905	\$ 4,607,084	\$ 2,344,394	\$ 140,653	\$ 773,486	\$ 914,299	\$ 23,771,009
2004	13,563,896	148,979	637,729	4,953,748	2,233,263	144,332	889,444	789,697	23,361,088
2003	13,065,797	147,885	607,016	4,163,164	2,318,962	129,293	978,171	882,947	22,293,235
2002	12,498,929	99,040	970,254	4,844,202	2,113,159	117,898	397,484	1,068,914	22,109,880
2001	12,218,537	141,902	580,729	5,057,295	969,235	135,059	370,750	1,147,544	20,621,051
2000	11,503,032	221,444	528,411	4,503,278	369,032	102,866	334,923	971,013	18,533,999
1999	11,354,877	111,080	482,142	4,937,887	321,607	115,541	292,714	831,395	18,447,243
1998	11,045,189	40,083	498,459	4,616,377	374,365	86,746	201,488	772,805	17,635,512
1997	11,017,566	106,409	502,041	3,978,092	525,537	81,026	736,252	575,229	17,522,152
1996	11,008,929	199,050	425,062	3,946,930	512,411	83,310	840,667	535,191	17,551,550



# City of Monroe, Michigan

## Property Taxes Levied, Collected, and Outstanding June 30, 2005

Collection Period July 1 to Feb. 28	Tax Year	Tax Levy as Adjusted	Collections Respective Tax Year	Percent Collected	Delinquent Tax	Delinquent Tax Collections	Delinquent Balance as of June 30	Cumulative Collections (Current and Delinquent)	Percent Collected
2004-2005	2004	\$ 14,291,466	\$ 14,012,116	98	\$ 279,350	\$ 258,168	\$ 21,182	\$ 14,270,284	100
2003-2004	2003	13,692,619	13,478,386	98	214,233	192,543	21,690	13,670,929	100
2002-2003	2002	12,710,425	12,428,201	98	282,224	189,651	92,573	12,617,852	99
2001-2002	2001	12,164,082	11,520,329	95	643,753	564,123	79,630	12,084,452	99
2000-2001	2000	11,829,828	11,358,754	96	471,074	441,521	29,553	11,800,275	100
1999-2000	1999	11,511,622	11,321,851	98	189,771	181,628	8,143	11,503,479	100
1998-1999	1998	10,864,753	10,584,949	97	279,804	236,774	43,030	10,821,723	100
1997-1998	1997	10,581,504	10,327,156	98	254,348	252,204	2,144	10,579,360	100
1996-1997	1996	10,444,153	10,249,894	98	194,259	176,839	17,420	10,426,733	100
1995-1996	1995	10,480,163	10,116,056	97	364,107	351,197	12,910	10,467,253	100

## City of Monroe, Michigan

### Assessed and Estimated Full Value of Taxable Property Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Total	Full Value	Percentage Assessed to Full Value
2005	\$ 805,126,570	\$ 131,827,740	\$ 936,954,310	\$ 2,164,428,740	43
2004	777,719,505	135,073,960	912,793,465	2,115,603,400	43
2003	734,664,870	141,531,815	876,196,685	2,010,163,380	44
2002	694,735,325	141,678,680	836,414,005	1,896,372,100	44
2001	680,146,695	138,266,975	818,413,670	1,844,611,060	44
2000	664,877,190	149,301,355	814,178,545	1,813,362,420	45
1999	641,904,105	139,448,465	781,352,570	1,719,583,480	45
1998	632,832,018	128,633,350	761,465,368	1,637,671,260	46
1997	603,325,455	129,038,245	732,363,700	1,553,187,620	47
1996	585,431,846	122,720,050	708,151,896	1,488,944,900	48

# City of Monroe, Michigan

## Direct and Overlapping Governmental Schedule of Tax Rates (All Taxing Units) (per thousand dollars of state equalized valuation)

### Monroe School District

Year	SEV Factor	City Tax	MCC College Tax	County Tax	Library Tax	LET Tax	ISD Tax	Nonhomestead School Tax	Homestead School Tax	State Education Levy
2005	1.0000	15.3156	2.1794	5.4052	1.0000	0.4825	4.7541	18.9985	0.9985	6.0000
2004	1.0000	15.3156	2.1857	5.4046	1.0000	0.3922	4.7541	18.9985	0.9985	6.0000
2003	1.0000	15.0030	2.1787*	5.3773	0.8111	0.3346	4.7700	18.9941	0.9941	6.0000
2002	1.0000	15.0030	2.1949*	5.4768	0.8173	0.3311	4.7924	18.9974	0.9974	6.0000
2001	1.0000	15.0030	2.1980*	5.4843	0.8185	0.3151	4.8010	18.9989	0.9989	6.0000
2000	1.0000	15.0030	2.2007*	5.4907	0.4891	0.3127	4.8010	18.9998	0.9998	6.0000
1999	1.0000	14.5030	2.2043*	5.4993	0.4899	0.2507	4.8189	19.0000	1.0000	6.0000
1998	1.0000	14.2530	2.2043	5.4993	0.4899	0.2313	4.8189	19.0000	1.0000	6.0000
1997	1.0000	14.2530	2.2043	5.4993	0.4899	0.2729	3.8189	19.0000	1.0000	6.0000
1996	1.0000	14.6386	2.2043	5.4993	0.4899	0.2400	3.8189	19.0000	1.0000	6.0000

\* Changed time of levy from summer to winter

### Jefferson School District

Year	SEV Factor	City Tax	MCC College Tax	County Tax	Library Tax	LET Tax	ISD Tax	Nonhomestead School Tax	Homestead** School Tax	State Education Levy
2005	1.0000	15.3156	2.1794	5.4052	1.0000	0.4825	4.7541	18.0000	-	6.0000
2004	1.0000	15.3156	2.1857	5.4046	1.0000	0.3922	4.7541	18.0000	-	6.0000
2003	1.0000	15.0030	2.1787*	5.3773	0.8111	0.3346	4.7700	18.0000	-	6.0000
2002	1.0000	15.0030	2.1949*	5.4768	0.8173	0.3311	4.7924	18.0000	-	6.0000
2001	1.0000	15.0030	2.1980*	5.4843	0.8185	0.3151	4.8010	18.1770	0.1770	6.0000
2000	1.0000	15.0030	2.2007*	5.4907	0.4891	0.3127	4.8010	18.2100	0.2100	6.0000
1999	1.0000	14.5030	2.2043*	5.4993	0.4899	0.2507	4.8189	18.1900	0.1900	6.0000
1998	1.0000	14.2530	2.2043	5.4993	0.4899	0.2313	4.8189	18.1600	0.1600	6.0000
1997	1.0000	14.2530	2.2043	5.4993	0.4899	0.2729	3.8189	18.2000	0.2000	6.0000
1996	1.0000	14.6386	2.2043	5.4993	0.4899	0.2400	3.8189	18.2300	0.2300	6.0000

# City of Monroe, Michigan

## Principal Taxpayers June 30, 2005

<u>Taxpayer</u>	<u>Principal Product/Service</u>	<u>Taxable Value</u>	<u>Percent of Total</u>
Detroit Edison	Electric Utility	\$ 333,967,950	35.64
Visteon Corporation	Automotive Stamping	78,737,310	8.40
Macsteel Monroe	Steel Processing	34,603,210	3.69
Howard Ternes	Warehousing, Land Developer	6,618,270	0.71
International Transmission Co.	Automotive Parts Manufacturer	5,953,460	0.64
Riverbend Commons, LLC	Shopping Center	5,256,400	0.56
Thompson McCully Co.	Asphalt Manufacturer	5,041,490	0.54
National Galvanizing	Steel Processing	4,577,330	0.49
Lear Corporation	Automotive Parts Manufacturer	4,335,750	0.46
Benchmark Homes	Apartment Complex	3,448,540	0.37
Total taxable assessed value of ten largest taxpayers		482,539,710	51.50
Total taxable assessed value of all other taxpayers		454,414,600	48.50
Total taxable assessed value of all taxpayers		<u><b>\$ 936,954,310</b></u>	<u><b>100.00</b></u>

# City of Monroe, Michigan

## Special Assessment Billings and Collections Computation of Legal Debt Margin June 30, 2005

Assessed valuations at December 31, 2003		<u><u>\$ 1,026,330,710</u></u>
Legal debt margin:		
Debt limitation - 10 percent of total assessed value		\$ 102,633,071
Debt applicable to limitation:		
Total bonded debt	\$ 8,178,234	
Less revenue bonds	<u>900,000</u>	
Total debt applicable to limitation		<u>7,278,234</u>
Legal debt margin		<u><u>\$ 95,354,837</u></u>

# City of Monroe, Michigan

## Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita Last Ten Years

Fiscal Year	Population	Adjusted Assessed Value	Gross Bonded Debt	Less Debt Service Fund	Debt Payable from Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2005	21,690	\$ 1,026,330,710	\$ 8,178,234	\$ 177,132	\$ 900,000	\$ 7,101,102	0.69	327
2004	22,076	1,007,273,590	8,288,205	149,986	1,285,000	6,853,219	0.68	310
2003	22,076	1,005,081,690	8,655,847	120,172	1,480,000	7,055,675	0.70	320
2002	22,076	948,186,000	8,992,190	109,727	1,655,000	7,227,463	0.76	327
2001	22,076	922,305,530	8,142,562	96,807	1,800,000	6,245,755	0.68	283
2000	22,076	906,681,210	8,441,634	70,159	2,005,000	6,366,475	0.70	288
1999	21,964	859,791,740	8,694,408	66,432	2,175,000	6,452,976	0.75	294
1998	21,922	818,835,630	8,964,365	159,186	2,340,000	6,465,179	0.79	295
1997	22,245	776,593,810	9,318,688	348,636	2,397,383	6,572,669	0.85	295
1996	22,334	744,472,450	4,009,930	377,652	3,063,969	568,309	0.08	25

## City of Monroe, Michigan

### Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures (Percent)
2005	\$ 339,971	\$ 243,573	\$ 583,544	\$ 24,047,604	2.44
2004	210,432	323,582	534,014	22,581,905	2.36
2003	141,343	328,147	469,490	21,474,439	2.19
2002	135,371	335,342	470,713	22,335,357	2.11
2001	124,073	342,055	466,128	21,403,861	2.18
2000	82,774	347,338	430,112	17,103,963	2.51
1999	104,957	358,047	463,004	17,602,288	2.63
1998	393,809	354,976	748,785	16,685,989	4.49
1997	406,242	73,926	480,168	17,077,944	2.81
1996	362,468	105,412	467,880	17,268,784	2.71

# City of Monroe, Michigan

## Revenue Bond Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Principal	Interest	Total	Percent Coverage
2005	\$ 5,253,433	\$ 4,626,682	\$ 626,751	\$ 385,000	\$ 51,101	\$ 436,101	137
2004	4,951,718	3,975,461	976,257	195,000	59,875	254,875	383
2003	4,546,129	4,271,998	274,131	175,000	72,218	247,218	111
2002	3,998,651	3,654,279	344,372	175,000	81,574	256,574	134
2001	4,159,667	3,785,102	374,565	175,000	92,755	267,755	140
2000	4,250,504	2,764,478	1,486,026	170,000	104,191	274,191	542
1999	4,190,765	3,070,715	1,120,050	165,000	59,963	224,963	498
1998	3,750,133	3,057,012	693,121	1,683,099	192,577	1,875,676	37
1997	4,072,053	3,083,012	989,041	150,000	164,050	314,050	315
1996	4,135,166	3,329,465	805,701	550,000	207,550	757,550	106



# City of Monroe, Michigan

## Demographic Statistics Last Ten Fiscal Years

Calendar Year	Population (1)	Median Age (2)	Public School Enrollment (3)	Average Percent Annual Unemployment Rate (4)
2004	21,690	35	7,199	5.9
2003	22,076	35	6,967	7.8
2002	22,076	35	7,095	6.0
2001	22,076	35	7,010	4.7
2000	22,076	35	6,819	3.4
1999	21,964	33	6,887	3.4
1998	21,922	33	7,002	3.4
1997	22,245	33	7,028	4.0
1996	22,334	33	7,176	4.3
1995	22,409	33	2,171	5.6

(1) Estimates from Population Estimates Program, Population Division, U.S. Census Bureau

(2) Profile of general demographic characteristics, U.S. Census Bureau

(3) Provided by Monroe Public School Administration. Grades K-12

(4) As reported by the Michigan Department of Career Development Employment Service  
Agency July 1, 2002 estimate from Southeast Michigan Council of Governments (SEMCOG)

# City of Monroe, Michigan

## Property Value and Construction Last Ten Fiscal Years

Fiscal Year	Commercial	Agricultural	Industrial	Utility	Residential	Total
2005	\$ 129,882,140	\$ 324,180	\$ 168,890,260	\$ 349,050,400	\$ 434,067,390	\$ 1,082,214,370
2004	130,936,070	302,100	164,735,100	347,348,190	414,480,240	1,057,801,700
2003	125,800,670	399,740	155,841,630	333,783,370	389,256,280	1,005,081,690
2002	105,979,980	371,440	156,447,310	322,237,790	363,149,530	948,186,050
2001	103,972,690	371,440	152,861,570	322,844,300	342,255,530	922,305,530
2000	96,515,400	118,580	162,879,430	322,896,210	324,271,590	906,681,210
1999	94,896,470	265,960	144,512,070	316,296,370	303,820,870	859,791,740
1998	82,819,670	261,300	142,210,420	310,710,640	282,833,600	818,835,630
1997	76,311,520	136,450	146,030,900	292,868,590	261,246,350	776,593,810
1996	75,509,950	136,450	138,001,950	284,806,400	246,017,700	744,472,450

## City of Monroe, Michigan

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### Construction Permits Last Ten Fiscal Years

Fiscal Year	Number of Permits	Value
2005	1,104	\$ 23,508,318
2004	1,332	23,011,761
2003	1,389	29,572,263
2002	1,498	417,301,384
2001	1,483	24,476,826
2000	1,516	23,724,246
1999	1,525	19,243,768
1998	1,539	20,772,894
1997	1,517	24,740,062
1996	1,457	14,875,937

# **City of Monroe, Michigan**

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**Federal Awards  
Supplemental Information  
June 30, 2005**

# City of Monroe, Michigan

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## Independent Auditor's Report

To the Honorable Mayor and Members  
of the City Council  
City of Monroe, Michigan

We have audited the basic financial statements of the City of Monroe for the year ended June 30, 2005 and have issued our report thereon dated September 28, 2005. Those basic financial statements are the responsibility of the management of the City of Monroe. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Monroe taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 23, 2005



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Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

To the Honorable Mayor and Members  
of the City Council  
City of Monroe, Michigan

We have audited the financial statements of the City of Monroe as of and for the year ended June 30, 2005 and have issued our report thereon dated September 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Monroe's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Monroe's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item Finding 05-I.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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To the Honorable Mayor and Members  
of the City Council  
City of Monroe, Michigan

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Monroe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described as Findings 05-2 and 05-3. We also noted certain additional matters that we have reported to the management of the City of Monroe in a separate letter dated September 23, 2005.

This report is intended solely for the information and use of the audit committee, council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

September 23, 2005



Report on Compliance with Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in Accordance with  
OMB Circular A-133

To the Honorable Mayor and Members  
of the City Council  
City of Monroe, Michigan

## Compliance

We have audited the compliance of the City of Monroe with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The major federal programs of the City of Monroe are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Monroe's management. Our responsibility is to express an opinion on the City of Monroe's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Monroe's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Monroe's compliance with those requirements.

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item Findings 05-2 and 05-3.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Monroe complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

To the Honorable Mayor and Members  
of the City Council  
City of Monroe, Michigan

### **Internal Control Over Compliance**

The management of the City of Monroe is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Monroe's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, council, management, federal awarding agencies, and pass-through entities.

*Plante & Moran, PLLC*

September 23, 2005

# City of Monroe, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2005

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity	Award Amount	Federal Expenditures
		Project/Grant Number		
U.S. Department of Transportation - Federal Surface Transportation Program - Passed through the Michigan Department of Transportation - Surface Transportation Program	20.205	STP 0458015	\$ 367,000	\$ 367,000
U.S. Department of Housing and Urban Development - Direct Programs - Community Development Block Grant	14.218	NA	629,000	297,288
Federal Emergency Management Agency - Emergency Preparedness and Response Directorate Assistance to Firefighters Grant Program	97.044	NA	61,148	43,146
Office of Highway Safety - Drive Michigan Safely Task Grant	97.006	PT-05-06	6,122	6,122
U.S. Department of Homeland Security - Passed through the State of Michigan - State Domestic Preparedness Equipment Support Program	97.004	2003-MU-T3-0018	4,724	4,724
U.S. Department of Justice - Passed through the Michigan Office of Drug Control Policy:				
Bulletproof Vest Partnership Grant	16.592	00001986	27,351	3,865
2002 Local Law Enforcement Block Grant	16.592	2002-LBBX-0853	13,786	307
2003 Local Law Enforcement Block Grant	16.592	2003-LBBX-1726	11,286	107
Total Office of Drug Control Policy Programs				<u>4,279</u>
Total federal awards				<u><b>\$ 722,559</b></u>

## City of Monroe, Michigan

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### **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2005**

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 715,489
Plus federal revenue not received within 60 days of year end in the governmental funds	2,346
Plus State Homeland Security grants reported as state revenue	<u>4,724</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><b>\$ 722,558</b></u>

# **City of Monroe, Michigan**

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## **Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2005**

### **Note - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Monroe and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# City of Monroe, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2005

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major program(s):

CFDA Number	Federal Programs
20.205	U.S. Department of Transportation - Federal Surface Transportation Program - Passed through the Michigan Department of Transportation - Surface Transportation Program
14.218	U.S. Department of Housing and Urban Development - Direct Programs - Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

# City of Monroe, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

### Section II - Financial Statement Audit Findings

Reference Number	Findings
05-1	<p><b>Finding Type</b> - Reportable condition</p> <p><b>Condition</b> - The City did not prepare completed bank reconciliations in a timely manner.</p> <p><b>Description</b> - In order to maintain adequate internal control, timely bank reconciliations should be prepared. We recommend, and the City of Monroe, Michigan concurs, that timely bank reconciliations be prepared in the future.</p>

### Section III - Federal Program Audit Findings

Reference Number	Findings
05-2	<p><b>Program Name</b> - Community Development Block Grant; CFDA Number 14.218</p> <p><b>Finding Type</b> - Material noncompliance</p> <p><b>Criteria</b> - In order to comply with Davis Bacon requirements, the City should review contractor payroll submissions and certifications on a timely basis, ascertain that the laborers and operators were paid prevailing wage rates, and perform and reconcile job site interviews performed to the certified payroll list.</p> <p><b>Condition</b> - The City reviewed contractor payroll submissions and certifications on a timely basis to ascertain that the laborers and operators were paid prevailing wage rates; however, they did not perform and reconcile job site interviews to the certified payroll list according to Davis Bacon requirements timely.</p> <p><b>Questioned Costs</b> - Unknown</p> <p><b>Context</b> - The City's engineering department did not perform or reconcile job site interviews to the certified payroll list timely.</p>

# City of Monroe, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005 June 30, 2005

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-2	<p><b>Cause and Effect</b> - Contractor payroll submission and certifications were reviewed; however, job site interviews were not performed timely. Per review of payroll records, the payroll records indicate that the laborers and operators were paid wages that complied with federal prevailing wage rates; however, job site interviews were not performed timely to verify the wages paid.</p> <p><b>Recommendation</b> - The City should reconcile job site interviews to the certified payroll list according to Davis Bacon requirements on a regular basis to ensure compliance with federal requirements.</p>
05-3	<p><b>Program Name</b> - Community Development Block Grant; CFDA Number 14.218</p> <p><b>Finding Type</b> - Material noncompliance</p> <p><b>Criteria</b> - In order to comply with allowable cost requirements, expenditures charged against the grant program must be incurred within the period of availability.</p> <p><b>Condition</b> - The City failed to review journal entries related to engineering and inspection fees charged against the grant to ensure costs were allowable.</p> <p><b>Questioned Costs</b> - A total of \$15,405 of engineering fees incurred by the City prior to the grant period</p> <p><b>Context</b> - There were engineering and inspection fees charged against the grant via a journal entry which were not properly approved by the Community Development Block Grant program director.</p> <p><b>Cause and Effect</b> - Due to insufficient review of journal entries relating to the grant program, certain engineering and inspection fees incurred prior to the grant period were incorrectly charged against the program in the current year.</p> <p><b>Recommendation</b> - We recommend the City's Community Development Block Grant director review all activity relating to the grant program in order to ensure costs charged to the grant program are allowable.</p>





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September 23, 2005

To the Honorable Mayor and Members  
of the City Council  
City of Monroe, Michigan  
120 East First Street  
Monroe, MI 48161

Dear Mayor and City Council Members:

We recently completed the audit of the financial statements of the City of Monroe, Michigan (the "City") for the year ended June 30, 2005. We thank the Finance Department and all others involved for the effort put forth in preparing for the audit. We enjoyed working with Ed Sell and the entire staff.

In addition to the audit report, we offer the following comments for your consideration.

In planning and performing our audit, we considered the City's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

### **Bank Reconciliations**

In the current year, as in prior years, bank reconciliations were performed but bank balances were not fully reconciled to the general ledger. Accurate bank reconciliations are an essential part of an effective internal control structure. While we did note improvement in this area and accounts were fully reconciled at the end of the year, the City did not fully reconcile the APF fund on a monthly basis and discrepancies were not investigated in a timely manner. To facilitate a thorough reconciliation, the APF reconciliation should be reviewed by someone independent of the reconciliation process.

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### **Customer Accounts Receivable**

During the year, the Water and Sewer Fund accounts receivable were only reconciled to the general ledger as of June 30. Although the annual reconciliation was appropriately prepared and the accounts were reconciled, we suggest that the City implement procedures to ensure that a reconciliation of customers' receivables is performed on a monthly or quarterly basis so that if there are any errors, they could be identified in a timely manner. With the upcoming change in the accounting software, this periodic reconciliation is even more important.

### **Purchase Order System**

There was an instance where an invoice greater than \$250 was paid even though the required purchase order was not prepared. The invoice was from 3M for reflective road tape in the amount of \$1,792.50. The City should ensure that the purchase order threshold is adhered to.

### **Community Development Block Grant**

In conjunction with the audit of the City's federal programs, we noted that the individual identified as the program coordinator was not included in all decision-making phases of the related contracts. This resulted in miscommunication related to budget amendments and the City being responsible for more expenditures than originally anticipated. As management of the CDBG program is new to the City, we recommend that procedures be put in place to include the program coordinator in pertinent contract discussions and the coordinator should be informed periodically of project progress. If you would like assistance establishing procedures, we would be happy to help.

### **Current State Financial Picture**

The governor's budget for the State of Michigan's fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. In essence, no further reductions to revenue sharing below the current FY 04/05 funding level were being proposed. During the budget deliberation process over the spring and summer, cuts were proposed by the Legislature to revenue sharing and then subsequently restored.

Even though there is the expectation that revenue sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels, sales tax revenue would support an increase to total state-shared revenue payments revenue sharing, and for fiscal years 2004/2005 and 2005/2006, the appropriation in the State's budget for revenue-sharing payments is over \$500 million less annually than amounts provided for in law and based on actual sales tax collections. There appears to be no long-term solution to the State's structural deficit in its General Fund, and as long as this condition exists, revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

As a result of a changes made by the State to revenue sharing last year, counties were required to move their property tax levy date for their operating millage from December to July in July 2005. A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple-year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out.

State-shared revenue accounts for approximately 12 percent of the City's total General Fund revenue. The table below details state-shared revenue for the City over the past five years broken out by statutory and constitutional portions. In addition, it details the total decrease in state-shared revenue experienced by the City compared to the State's fiscal year 2001.

State Fiscal Year	Statutory	Constitutional	Total	Decrease from 2001
2001	\$ 1,356,566	\$ 1,423,669	\$ 2,780,235	
2002	1,140,691	1,438,515	2,579,206	\$ 201,029
2003	970,961	1,464,720	2,435,681	344,554
2004	739,443	1,452,551	2,191,994	588,241
2005	681,829	1,483,385	2,165,214	615,021

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the City has approximately \$680,000 at risk in its General Fund budget based on 2005 funding levels. We will continue to update the City as developments occur.

Over the past several years, the City has made good progress in building a healthy fund balance. Undesignated fund balance for the General Fund is approximately \$3,207,000 for the year ended June 30, 2005, an increase of approximately 7 percent from the previous year. As we have all learned, fund balance is necessary due to uncertainty related to major revenue sources and increasing costs. We encourage management to make every effort to protect and grow the level of fund balance. This will ensure the City's health for years to come.

## Property Taxes

As you will recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is as follows:

2005	2.3%		
2004	2.3%	1999	1.6%
2003	1.5%	1998	2.7%
2002	3.2%	1997	2.8%
2001	3.2%	1996	2.8%
2000	1.9%	1995	2.6%

The 2004 inflation factor was used for property taxes levied in the City's year ended June 30, 2005. As indicated above, growth in existing property is significantly limited due to Proposal A. This factor should be considered when the City is involved in long-term financial planning.

The Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the City. In general terms, if growth in the City's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the City to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the City's existing property tax base was less than inflation, the Headlee Amendment allowed the City to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back." However, subsequent to the passage of Proposal A, the City is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation. The charter operating mills are 15.0000 versus the Headlee limited mills of 14.6645. The City is currently not levying at capacity, but the millage capacity (the difference between actual levy and Headlee maximum) of the City will continue to shrink as the rates get "rolled back" annually.

During the audit of property taxes, we noted approximately \$900,000 of delinquent personal property taxes, of which \$300,000 relates to the City and the remainder relates to the schools and county. The City should take steps to ensure that these receivables are aggressively pursued.

## **Transportation Matters**

The State is now expecting lower than anticipated Act 51 receipts for the State's 2004/2005 fiscal year, which ends September 30, 2005. The Michigan Department of Transportation reported that receipts through the six month period ended April 30, 2005 were 4 percent behind last year. Plante & Moran publishes annually forecasted Act 51 distribution rates which we receive from the State and are based on its forecast of anticipated collections at the State level. If actual collections are less than amounts forecasted by the Michigan Department of Transportation, this could likely result in revenue less than budgeted amounts in the City's Major and Local Streets Funds. The lower than anticipated collections could impact the City's fiscal year 2004/2005 and 2005/2006 budgets.

## **Taxing Municipal Recreation Operations**

During the State's fiscal year 2005/2006 budget discussions, a proposal was introduced to put certain municipal operations that are in competition with the private sector on an equal playing field by requiring them to pay certain state taxes paid by the private sector. The main target appeared to be municipal golf course operations, but other recreation operations (such as ice arenas) could become part of the scope. It appears that no legislation is imminent on this matter; however, it may continue to be an issue in the future.

## **Postemployment Benefits**

Two new accounting pronouncements were recently issued by the Governmental Accounting Standards Board (GASB). GASB No. 43 and No. 45 address the accounting and disclosures related to postemployment benefits other than pensions. In short, these pronouncements will require communities to account for and disclose liabilities related to health care promises to retirees, much in the same way that pensions are handled. It is our understanding that the City recently had an actuarial valuation performed for this liability. Starting in fiscal year 2007-2008, the City will be required to have a valuation performed biennially to measure its retiree health care liability. The valuation will compute an "annual required contribution", which is the amount the actuary believes is necessary to fund the benefit over a period of 30 years or less. Currently, the City has over \$6,500,000 set aside in the Retiree Health Care Fund to help offset this liability. We commend the City for having the foresight to begin pre-funding this liability.

It is our understanding that the State of Michigan may be offering local governments the opportunity to participate in the State's prescription drug program. A presentation was made in September 2004 to introduce this program to local governments. While we have not evaluated the program, the City may want to consider this option as it evaluates and continues to try to control its health care costs.

To the Honorable Mayor and Members  
of the City Council  
City of Monroe, Michigan

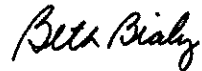
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September 23, 2005

We would like to express our thanks and appreciation for the courtesy and cooperation extended to us by the City staff during the audit. We appreciate the opportunity to present these recommendations for your consideration and will be pleased to discuss them further at your convenience.

Yours truly,

**Plante & Moran, PLLC**

A handwritten signature in cursive script that reads "Beth Bialy".

Beth A. Bialy

A handwritten signature in cursive script that reads "April King".

April King